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NEWS SUMMARY

GENERAL

Moro: 'not much time'

The kidnappers of Sig. Aldo Moro, the former Italian Premier, last night demanded the release of "all Communist prisoners" and a letter, apparently written by their captive, called for an exchange of prisoners.

In the letter, apparently appealing to Italian leaders to secure *his* release, *Sig.* Moro said there was not much time left.

But Sig. Giulio Andreotti, Premier, told Parliament that he rejected any form of blackmail by the Red Brigades guerillas who abducted Sig. Moro on March 16 and killed his five guards.

Meanwhile, 16 suspected neo-fascists, accused of a bomb attack on an anti-fascist rally in 1974 in which eight people were killed and *100 injured,* went on trial *in* Brescia.

Ecevit sees more hope for a Cyprus settlement

Mr. Bulent Ecevit, Turkish Premier, indicated that the Congressional repeal of the U.S. arms embargo on Turkey would facilitate a Cyprus settlement and ease the problems between his country and Greece. In Nicosia a formal protest was delivered to the U.S. Charge d'Affaires expressing fears that such action would make Turkey "more intransigent" on Cyprus. Meanwhile, a *Cyprus court sentenced* two Palestinians to hang for the murder of Mr. Y. Sibai, a close friend of President Sadat of Egypt. Back Page

Rhodesia hearing for outside plan

Anglo-U.S. emissaries, striving to put together an overall peace plan for Rhodesia, will be given a hearing by the country's new *multi-racial coalition Government* when they arrive in Salisbury towards the end of this week. However, members of the Supreme Council emphasised that there could be no question of renegotiating the internal black majority rule agreement. Patriotic Front to consider plan Page 4

Yard warns on parcel bombs

Scotland Yard issued an urgent warning after two parcel bombs were delivered to London addresses. A man was hurt when the first of the devices exploded at the Communist Party's headquarters in Covent Garden.

Roads review

The Government sought yesterday in two White Papers to appease opponents of its handling of inquiries into trunk road schemes and to present a scaled-down road building programme in England for the next 10 years. Back and Page 7; Editorial comment, Page 16

Soviet pledge

The Soviet Union has pledged full support for Palestinian guerillas who refuse to turn over their positions in south Lebanon to *UN troops, it was reported in* Beirut. U.S. military team in Beirut Page 4

Briefly . . .

Mr. David Holmes, a former Liberal Party deputy treasurer, was last night still at Bristol police station after a day of interviews about an alleged murder plot.

M. Raymond Barre, French Premier, is to announce the new Government to-day.

The Duke and Duchess of Kent have postponed their May visit to New Zealand because the Duchess may soon require surgery.

Mr. Rocky Aoki, 39, the Japanese entrepreneur and former Olympic wrestler, said in London that he hopes to buy the Grand National course at Aintree and Red Rum.

BUSINESS

Equities up 5.3; Pound firmer

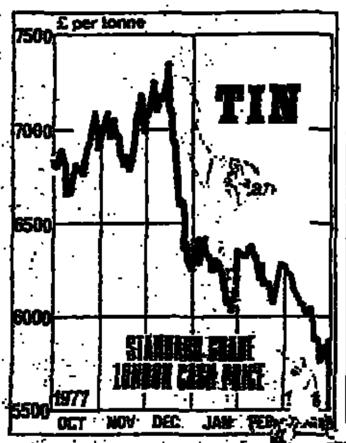
● EQUITIES attracted brisk business on bid speculation and a long list of trading statements. *The FT ordinary index closed* 5.3 up at 467.8.

● GILTS gave up early gains in response to the banking figures and in expectation of criticism *of the handling of money* supply. The Government Securities index closed 0.02 down at 73.84.

● STERLING and the dollar were firmer, and the pound rose sharply in late trading to \$1.8695, for a rise of 15 points. Its trade-weighted index rose to 62.0 (61.8) and the dollar's depreciation narrowed to 6.27 per cent. (6.50).

● GOLD fell \$2¾ to \$179⅝ on nervous selling in New York.

● TIN prices fell below the International Tin Agreement *ceiling for the first time since* January 1977 in Penang, and on the London market, standard cash tin price closed £55 down at £5,690 a tonne.



● WALL STREET was 2.25 up at 753.29 just before the close.

● ELECTRICITY supply industry reorganisation plans, now set out *in the White Paper, have been* criticised as being too ambitious by power union leaders, who say that the Government has thrown away its chance of changing the industry. Back and Page 8

● HONG KONG AND SHANGHAI BANK is near agreement over the acquisition of a large portion of the equity of the Marine Midland Bank of New York. Back Page.

● GKN has appealed to West Germany's economics minister to overturn the decision by the Supreme Court blocking its bid for the Sachs Group. The U.K. company reports profits for 1977 *of £72.3m.,* down on last year's £97.7m., on turnover up at £1.64bn. (£1.5bn.). Back and Page 30

● CHILE is negotiating three loans from international banking *sources worth \$350m.* Back Page

● DUTCH FINANCE Minister, at the opening of the European Options Exchange in Amsterdam, said he did not object to risk-taking involved in options trad*ing, provided the participants* appreciated and could bear the risk. Page 4

Pay concession to engineers

● EMPLOYERS of lower-paid engineering workers will be allowed to breach Government pay guidelines without risk of sanction reprisal, the Employment Secretary has said. Back Page

● PHARMACEUTICAL INDUSTRY profits will be subject to a new price regulation scheme *which comes into force this week.* Page 8

● U.K. NATIONALISED industries have won more than £295m. worth of new export orders since January.

COMPANIES

● THOMAS JOURDAN pre-tax profits fell to £0.5m. (£607,890) for the whole of 1977, in spite of a slight rise at half time. Page 31

Carter may delay neutron bomb in disarmament bid

BY DAVID BELL: WASHINGTON, April 4

President Carter appears to have decided to rule out early production of the neutron bomb—and may favour cancelling it altogether—to set the stage for a breakthrough in the strategic arms limitations talks (SALT) and a possible meeting next month with President Brezhnev of the Soviet Union.

The White House refused to comment to-day on reports that, against the advice of most of his top advisers, the President has decided to scrap the weapon which is designed to kill people with radiation while causing relatively little damage to property.

A spokesman would say only that "a decision is still pending with the President."

The neutron bomb, which is opposed by the Soviet Union, has been a subject of hot debate within NATO for some months. The U.S. argued that it could not go ahead with production *until its European allies, in whose* countries it would be deployed, approved it.

Some of its NATO *partners,* sensitive to the political passions that it arouses, would have preferred the U.S. to come out firmly in *favour* of the weapon first.

U.S. officials recognise that both Chancellor Helmut Schmidt, of West Germany, and Mr. James Callaghan, the Prime Minister, have been moving at considerable political risk, towards publicly endorsing the bomb, if only as a bargaining counter in arms control talks. They also concede that they have been operating on the assumption that Mr. Carter would approve the weapon if they wanted to deploy it.

To-day's New York Times said the President has already decided to scrap the weapon principally because it contradicts his often stated commitment to nuclear disarmament. According to the paper Administration officials believe that there is only a slim chance that Mr. Carter may now change his mind.

Other reactions, Page 2
Parliament Page 10

Other reports indicated that the decision not to go ahead with the bomb now may not be so final when and if it is announced *later this week.* Some sources said that Mr. Carter is holding up the bomb as a gesture to the Soviet Union and that this is part of a wider diplomatic offensive now starting.

Mr. Vance is due to fly to *Moscow* in two weeks' time to try to make further progress in the SALT talks which have been *becalmed for some months.*

The U.S. hope is that this would open the way for Presidents Brezhnev and Carter to meet in early May, but even if it does not there is the possibility that they could meet at the UN disarmament conference due to be held on May 23 in New York.

Malcolm Rutherford writes: The British Government is seeking urgent clarification from Washington. The report came as a surprise in Whitehall, which had believed that a decision to approve the production and eventual deployment of the *weapon* was likely to be taken at the meeting of the Nato Nuclear Planning Group in Denmark later this month.

The only qualification was that attempts might be made to bargain deployment of the bomb in return for restrictions on the Soviet SS-20, a continental-range rocket capable of inflicting major damage on West European cities.

Mr. Callaghan, has frequently linked the neutron bomb and the SS-20. In the Commons, Mr. Callaghan denied a television report that the Government had already come down in favour of the bomb, but was clearly relieved not to be asked about the report in the New York Times.

"*As regards the neutron* bomb," he said," it is a question of weighing the very substantial political disadvantages against whatever military advantage may be presumed to exist."

£115m. for Rolls Royce in Pan Am TriStar deal

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

PAN AMERICAN Airways, one of the two major U.S. international airlines, is to buy 12 long-range Lockheed TriStar airliners with Rolls-Royce RB-211 engines, worth in all over £250m.

Rolls-Royce's share, including spars, will be about £115m.

In addition, Pan Am will take options on another 14 aircraft. If converted into firm orders, these will be worth another £290m., with Rolls-Royce gaining about £145m. of the total value.

The deal is a major breakthrough for Rolls-Royce into one of the world's biggest and most important airlines which has traditionally ordered American airframes and engines. It also gives a much needed boost to the hitherto sluggish sales of the *Lockheed TriStar.*

At the same time, it represents a major success for Sir Kenneth Keith, chairman of Rolls-Royce, who has made many visits to the U.S. over the last 12 months in an effort to win the contract for his company.

The first of the Rolls-powered TriStars *for Pan American* will be delivered in 1980 entering service in April of that year.

Rolls-Royce and Pan American have agreed in principle that finance for the deal will be arranged through the U.K. Export Credit Guarantee and First National City Bank of New York using a combination of institutional and bank funds.

The deal will boost the profitability of the RB-211 engine, which has already *yielded profits* to the U.K. Government of over £34m. from the first 555 produced.

When the Government took over the financing of the RB-211 in 1971 after the collapse of the *original Rolls-Royce company,* a loss on the engine of anything between £20m. and £40m. was predicted.

In fact, gross profits have already amounted to £54m., although various price warranties contracted by the former Rolls-Royce company reduce this by £20m.

Announcing the deal in New York yesterday after a Pan-Am Board meeting, Mr. William T. Seawell, the airline's chairman, said Pan Am had spent 18 months on a thorough evaluation *of new types of equipment, com*prising all possible combinations of aircraft and engines. These included the General Electric CF6-50 series, and the Pratt and Whitney JP-9D engines.

"As a result of this, we have chosen the TriStar, and we have selected the RB-211 engines because of the technological superiority," he said.

The initial order is for the Dash 524 B version of the RB-211 *engine, giving 48,000 lbs thrust* at take-off. This is a more powerful version of the original RB-211 engine which is already in service with earlier versions of the Tristar.

U.K. launch for aspirin rival

BY DAVID FISHLOCK, SCIENCE EDITOR

A NEW pain-killing drug launched yesterday as an alternative to aspirin but claimed to be without the latter's side-effects could provide Britain with exports of £200m. over the next decade, according to its U.S. manufacturers.

The drug, Dolobid, is to be produced in the U.K. for the world market by Merck, Sharp and Dohme, which ranks second to *Hoechst of West Germany in* world pharmaceutical sales.

It is one of the first times that a foreign pharmaceutical company has chosen Britain from which to launch a major drug.

Dolobid will be manufactured at a £15m. plant now under construction at the Ponders End factory in North London of Merck's U.K. subsidiary, Thomas Morson. The group's U.K. exports last year totalled £26.5m., 36 per cent. of *its* British turnover.

In addition to the £15m. plant, another £5m. is estimated to have been spent by Merck *in* preparing for an international launch.

The plant is expected to be on stream late this year and, according to Mr. Bernard Crowley, chairman of Morson, should not need any expansion for four to five years.

Merck synthesised Dolobid in a deliberate attempt to make an aspirin-like substance *free from* the side-effects of aspirin in high doses.

Dolobid won the approval of the Committee on the Safety of Medicine late last year on the basis of clinical studies which had shown it to be about four times as potent as aspirin, to have an analgesic action that lasted for eight to 12 hours, but it is claimed, to cause less gastric bleeding and other problems.

Dolobid will cost the National Health Service about £4.10 for 50 tablets of 250mg, compared with about 13p for 50 tablets of aspirin. But it is available on prescription only and, according to Dr. Lewis Sarett, Merck's senior vice-president responsible for the group's £80m. science and technology programme, is likely to remain so for several years at least.

Dr. Sarett said that Merck was encouraged to pursue the drug in 1953 by a U.S. critic of cortisone—then widely seen as a "miracle drug"—because of its adverse effects in threatment of chronic rheumatism and arthritis. The company experienced a major setback when its first promising discovery also proved to have aspirin-like side effects.

As a result, the quest for Dolobid had taken about 24 years. The first patents on the drug will expire in about six years' time.

Curing a giant headache
Page 12

BANKING FIGURES ENCOURAGING FOR BUDGET

Money supply growth slower last month

BY MICHAEL BLANDEN

THE GROWTH of the money supply slowed last month to levels more in line with the Government's target range of 9-13 per cent. for the current financial year.

The banking figures published yesterday provided an encouraging pointer ahead of next week's Budget, when Mr. Denis Healey is expected to announce new monetary targets for the coming *year on a three or six month* rolling basis.

After the sharp growth in earlier months, it will still be very difficult for the Government to meet its targets for the year to mid-April.

This continues to cause concern in the City, with the gilt-edged market yesterday reacting with disappointment after the appearance of the figures which it had hoped would show a greater improvement.

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There was also uncertainty in the discount market, with some speculation on a possible rise in the official minimum lending rate on Friday.

The figures coincided with a strong warning on excessive *monetary growth by Mr. Gordon* Pepper of stockbrokers W. Greenwell. In a special monetary bulletin, he argued that further action was needed to bring the situation under control and added: "We await the Budget."

He pointed out that the main monetary measure, sterling money stock on the wider definition (M3) had been growing at a rate of 18 per cent. a year over the six months to February, and other measures showed higher rates of increase. These gave "serious cause for concern."

So far in the current year, sterling M3 had risen in the first ten months to February by about 12 per cent., equivalent to an annual rate of some 14½ per cent.

Last month's figures are the last to appear before the Budget —the full money stock statistics for the period will themselves not be published until two days later.

They indicate that the growth of sterling M3 is likely to have been significantly lower than the rises of 2.3 per cent. and 1.1 per cent. recorded in the preceding two months.

The slow-down last month seems to have reflected two main factors, the absence of the inflows from abroad which had a substantial impact, particularly in January, and a relatively slow growth of bank lending to the domestic private sector.

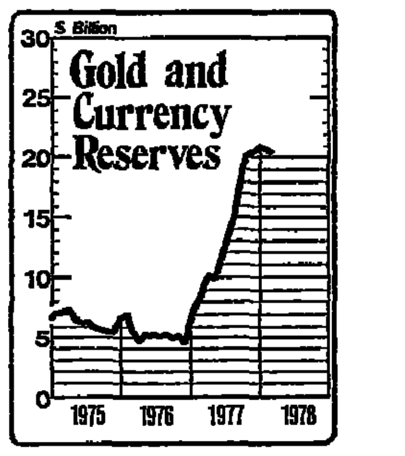
The main pointer is given by the eligible liabilities of the banking sector. These are their main deposit funds and an important constituent of the money stock, though they are subject to a number of adjustments including those for seasonal influences.

The eligible liabilities rose by 0.8 per cent. in the four weeks to mid-March to £42.6bn., compared with an increase of 1.4 per cent. in the previous month.

Figures published by the London clearing banks showed that their sterling lending to the U.K. private sector rose by only £79m. during the month, *mainly in the services sector.*

With little change expected on seasonal grounds, this suggests a rate of increase substantially below the underlying rises of about £300m. which have been recorded in recent periods.

Sterling deposits by the U.K. private sector rose by £372m., and there was a fairly sizeable increase after allowing for seasonal factors.



Reserves fall $381m.

By Peter Riddell, Economics Correspondent

THE underlying level of Britain's official *reserves* fell last month for the first time since May, 1977.

The reserves total fell by \$381m. during March to \$20.32bn. After adjusting for repayments of foreign currency debt and some small-scale new borrowing by public-sector bodies, the underlying decline was \$281m.

This was in noticeable contrast to the underlying inflow of between \$230m. and \$260m. in each of the previous three months.

While not too much should be read into the exact figures because of variations in official *transactions* affecting the reserves, the change of direction of the flows is significant in highlighting the change in the market view of sterling.

The announcement of the March figures by the Treasury yesterday afternoon led to a fall in the pound to its day's low of \$1.8620, before a later recovery to \$1.8695, up 15 points overall. The trade-weighted index closed 0.2 *higher at 62.0.*

The decline in the reserves would have been even larger but for the fact that the books were closed on the March figures on Tuesday evening last week.

This was well before the Bank of England intervened in an undisguised manner to hold the rate and signal that the recent sharp decline had gone far enough.

By *Friday evening, the* trade-weighted index had dropped by 3¼ per cent. in just over a week.

The authorities have been keen to remove any market speculation about official con-

Continued on Back Page

£ in New York

—	April 3	Previous
Spot	\$1.8640-8650	\$1.8630-1.8640
1 month	0.03-0.08 prem	0.03 dis-0.05 pm
3 months	0.11-0.06 dis	0.08-0.02 dis
12 months	0.90-0.75 dis	0.85-0.70 dis

Lords vote for Scots PR

BY IVOR OWEN, PARLIAMENTARY STAFF

BY A majority of 91 the House of Lords last night voted for the additional member system of proportional representation to be used for the first election to the Scottish Assembly.

The decision was taken against the advice of the Government *and is contrary to an earlier* vote in the Commons.

In a free vote on the first day of the Lords committee stage of the Scotland Bill, an all-party amendment supported from the cross benches was carried by 155 votes to 64.

Although the vote was acclaimed as a significant victory by the supporters of proportional representation, there was general recognition that the Bill will be restored to its original form—with the traditional first-past-the-post voting system—when *it* is returned to the Commons in June or July.

A powerful speech by Lord Hailsham, *in which he dis*counted suggestions that the introduction of proportional representation for the Scottish Assembly would be the thin end of the wedge opening the way for its general application throughout the U.K., clearly influenced a large number of peers.

Parliament, Page 10

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Assed. Dairies	222	+ 10
Boots	217	+ 4
Bowater	193	+ 5
British Home Stores	178	+ 5
Combd. Eng. Stores	83	+ 3
Cullen's A	93	+ 7
Davy Intnl.	219	+ 5
Estates Prop. Inv.	94	+ 4
Fisons	343	+ 10
Hambro Life	302	+ 15
Hurst (C.)	93	+ 7
ICI	362	+ 4
McNeill Group	58	+ 6
Marchwiel	278	+ 4
Mills Allen Intnl.	172	+ 10
News Intnl.	267	+ 5
Reed Intnl.	114	+ 4
Savoy A	78	+ 4
Stock Conversion	230	+ 6
Talbex	25½	+ 2½
Turner and Newall	191	+ 6
Unilever	510	+ 8
Vickers	179	+ 4
WGI	98	+ 4
Weir Group	120	+ 6
Wigfall (H.)	210	+ 10
Wilkinson Match	169	+ 5
Yarrow	270	+ 5
Oil Exploration	206	+ 8
Castlefield	193	+ 6
Guthrie	248	+ 5
Jokai	280	+ 8
Longborne	280	+ 8

FALLS

Grattan Warehouses	122	− 7
Waggon Finance	87	− 3
Cons. Gold Fields	180	− 6
De Beers Dfd.	322	− 5

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FEATURES

For latest Share Index 'phone 01-246 8026

France moves to prevent new Euratom treaty talks

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT LUXEMBOURG, April 4.

FRANCE to-day prevented the EEC from replying to a U.S. demand that the Community should agree to renegotiate the Euratom Nuclear Supply Treaty or face immediate suspension of further deliveries of U.S. enriched uranium.

All EEC governments are prepared to comply with the demand except France, whose acting Foreign Minister, M. Louis de Guiringaud, insisted to day that the matter must be decided by EEC Heads of Government *at their European Council* meeting in Copenhagen at the end of this week.

The Copenhagen summitt would be the last possible opportunity for the EEC if it is to meet the provisions of the Nuclear Proliferation Act, recently approved by the U.S. Congress. This calls on the Community to signal its willingness to renegotiate the supply arrangements by next Sunday at the latest.

If no reply were given by then, the U.S. Nuclear Regulatory Commission would be required by law to stop issuing new export licences for shipments of enriched uranium to the EEC, which has only about one month's supply of U.S. fuel.

An interruption of any length would have a severe effect on the commercial nuclear industry in the EEC which depends on the U.S. for virtually all its supplies of highly enriched uranium and for almost half of its normally enriched uranium, used in power stations. Much of the remainder is supplied by the Soviet Union.

Herr Helmut Schmidt the West German Chancellor, who is understood to be seriously concerned about the risk of a cut-off, is reported to have urged President Giscard d'Estaing to *drop his opposition when the two* leaders met in France last weekend.

Herr Hans-Dietrich Genscher, the German Foreign Minister, is also expected to raise the problem during his current visit to Washington. According to some reports he may ask for a postponement of the deadline for a reply, to enable the EEC to resolve its internal differences, though it is doubtful whether the Carter Administration has the constitutional power to grant a delay.

The U.S. is seeking more than 30 changes in the Euratom Supply Treaty. The most controversial of these changes would tighten up the safeguards on nuclear proliferation risks by requiring that the U.S. give prior consent for the reprocessing by the EEC or the sale outside the Community of any enriched uranium of U.S. origin.

France maintains that this demand conflicts with U.S. assurances given last year, at the start *of the International Fuel Cycle* Evaluation programme set up at the Western economic summit in London, that its fuel supply policies would remain unaltered while the study was in progress.

The Nuclear Proliferation Act, however, requires that the EEC agrees only to the principle of renegotiating the Euratom Treaty. The actual negotiations need not start for another two years and could be extended on a year-by-year basis almost indefinitely.

France has also objected that there are no legal grounds for the U.S. demands to change the treaty, which still has more than 10 years to run. But the U.S. has agreed to EEC requests—made with French backing—to renegotiate aspects of the treaty on three occasions in the past 20 years.

While no other EEC Government is exactly enthusiastic about the U.S. demands, many officials here consider France's arguments to be excessively legalistic and not of sufficient importance to warrant a bruising political confrontation

German engineers pay deal hitch

BY ADRIAN DICKS BONN, April 4.

THE WEST German engineering employers' federation, Gesamtmetall, to-day broke with tradition and raised the possibility of renewed unrest in the industry, when it formally refused to accept as the national norm yesterday's hard-fought provisional pay deal in the North Wuerttemberg-North Baden region.

The deal, reached early on Monday, would push against the upper limits of the Government's 1978 incomes targets, but had been greeted with relief as a solution to one of the longest and most costly industrial stoppages in post-war West German experience.

In reaction to Gesamtmetall's announcement, Herr Eugen Loderer, president of the engineering workers' union, IG-Metall, described the employers' attitude as "extraordinarily inflammatory, political behaviour" which could not fail to have an effect on the entire social climate.

IG-Metall, which has good reason to be satisfied with the 5 per cent. wage increase, plus job security clauses, that it won in North Wuerttemberg-North Baden, has not unnaturally assumed that these terms would now be applied to the remaining wage bargaining regions, where talks are less advanced. Using one region as a model for the country as a whole is common enough practice, and the area around Stuttgart has often served this purpose for the engineering industry in the past.

This year, however, has seen a distinct hardening of attitudes on the employers' side. While the pay rise of 5 per cent., plus a DM411 lump sum, might be just acceptable on its own, there is strong resistance even within North Wuerttemberg-North Baden to the unprecedented provisions guaranteeing workers protection from pay losses due to the introduction of labour-saving equipment.

The package agreed in Suttgart yesterday has not, meanwhile, been formally accepted by the regional employers' organisation, while IG-Metall will not start until Thursday the ballot of its members on the terms, in which it needs only 25 per cent. acceptance to endorse them. There was reported to be some disappointment among union members to-day that the pay increase was not higher.

As a result of these delays, the strike-cum-lock-out that directly has affected some 250,000 workers in the region will continue all this week. Further short-time working in other parts of the country was expected, above all in the motor industry.

Emminger defends dollar aid

By Our Own Correspondent

BONN, April 4.

DR. OTMAR EMMINGER, the president of the Budesbank, to-day rejected suggestions that the money supply target was being abandoned and the danger of inflation increased through intervention to help stabilise the dollar.

His comments in a newspaper article form part of a growing debate here on whether the country's stability policy is being endangered by the current intervention.

Some economic *institutes* have suggested that while the inflation rate may well drop below 3 per cent. here in coming months, it will rise again in the autumn because of too fast an increase in money supply. This point in turn is being used as an argument *against any further measures* of economic reflation this summer.

Dr. Emminger agreed that in the four months October-January, central bank money supply grew at an annual rate of about 14 per cent. (compared with a growth target for this year of 8 per cent.). But since then it had slowed to 7 per cent.

He argued that a temporary overshooting of the target could be tolerated for two reasons. One was that there were no signs of a general, strong increase in demand—thus the economic conditions were quite wrong for sharp action to curb money supply. Second, the current "excessive" Deutschemark exchange rate was acting as a brake on prices.

He noted the extent of central bank intervention had dropped in the past few months.

Furthermore, a large part of the excess liquidity had been neutralised. The free liquid reserves of the banks were now rather lower than they were last autumn

Neutron bomb: the best way to halt tanks

BY DAVID FISHLOCK, SCIENCE EDITOR

THE NEUTRON bomb is the most effective way yet invented of penetrating the armour of a tank—the basic objective of all anti-tank tactics. No armour plate is sufficiently resistant against the high-intensity blast of neutrons and gamma-rays, high doses of which will kill very quickly and will also knock out the tank's electronic systems.

The new U.S. weapon being debated is not strictly a bomb at all, but a warhead for a large (eight-inch) shell, or a missile such as the Lance. Such a warhead would be designed to release much more of its energy as radiation than is a "conventional" nuclear weapon.

The basic mechanism is that of the H-bomb—thermonuclear fusion—but whereas a so-called tactical H-bomb *might* release 50 per cent. of its energy as blast, 35 per cent. as heat and 5 per cent. as "prompt" radiation, corresponding figures for the neutron warhead might be 34 per cent. as blast, 24 per cent. heat—but 40 per cent. as prompt radiation.

Prompt radiation means the instantaneous blast of neutrons and gamma-rays. The balance of the energy in each weapon is released as fission-product radiation.

It is not true, therefore, to say that the neutron warheads kills people but leaves buildings, tanks, etc., intact. But it is true to say that it is a cleaner weapon, in terms of the residual radio-activity left on the battle-field.

It is also a fact that its effective radius could be much smaller than for any modern nuclear weapon of the conventional kind.

Exploded a few hundred feet up in the air above tank formations, such a weapon would probably kill almost instantly most crew members within a radius of about 800 feet. The less fortunate would die in agony in a matter of days, from irrepairable dramage to the gut and bone marrow, for example.

The lethality of the new weapon falls off very sharply with distance. A 10-k tactical weapon would pr inflict lethal second-degree on everyone within abo kilometres, whereas the radius" for burns from kiloton enhanced ra weapon would be restric only about 0.5 kilometre.

The new weapon appe afford NATO forces prosp a highly cost-effective c measure to a tank armad battle that would be fou their own territory. Giv present estimated imbala armour of about three t there is no obvious reaso the Warsaw Pact forces want the new weapon selves.

BREZHNEV VISIT CONFIRMED

Bonn 'favours deployment'

BY JONATHAN CARR BONN, April 4.

THERE ARE GROWING signs here that the West German Government is now prepared to support deployment of the neutron bomb in Europe if insufficient progress is made in East-West disarmament negotia*tions. The West German Foreign* Minister, Herr Hans-Dietrich Genscher, flew to Washington to-day for high-level talks expected to centre on the problem, and late last night it was announced in Bonn and Moscow that Mr. Leonid Brezhnev, the Soviet President, would visit West Germany early next month.

However there was also uncertainty here on whether the U.S. President, Mr. Jimmy Carter, would approve production of the weapon, and Herr Genscher will be trying to clarify this during his talks with the President and the U.S. Secretary of State, Mr. Cyrus Vance.

Bonn's readiness to accept deployment is bound to arouse the displeasure of Mr. Brezhnev, who wrote some months ago to Western leaders urging them not to accept deployment of the neutron weapon. West German Government sources described his letter to Chancellor Helmut Schmidt as "frank — almost brutal" in tone.

The particular toughness of the Soviet stance towards Bonn was explained here by the fact that it would be in West Germany that the neutron weapon would primarily be deployed.

The West German Government maintained that the decision on production of the weapon lies with the U.S. alone. If President Carter decides to go ahead, then the European NATO States would take note of that and seek to have the weapon used as a bargaining counter in East-West disarmament talks.

The U.S. has been seeking a pledge from its allies that they will be prepared to accept deployment of the weapon if the disarmament talks do not have the desired result. It is on this point that Bonn now appears able to reassure Washington.

The Government has not so far made details of its stand public at least partly because of strong opposition within the Social Democrat Party (SPD), the senior partner in the Bonn coalition. The party manager, *Herr Egon Bahr, once described* the weapon as a "perversion of thought" though he has recently toned down his remarks.

The Free Democrats, the junior partner led by Herr Genscher, have come closer to an official public stand favouring deployment. But here too there are internal divisions. The FDP security affairs spokesman, Herr Juergen Moellemann, bluntly said to-day that Herr Genscher would be saying "yes" to the weapon in Washington, and claimed a big majority of the Bundestag supported this. His view was promptly contested by some party colleagues.

David Satter adds from Moscow: For the Russians, Mr. Brezhnev's Bonn visit will be an opportunity to give fresh impetus to East-West detente but only if the question of neutron bomb has been effectively laid to rest.

Soviet-German relations have been good since the 1970 Moscow Treaty which normalised relations and the quadripartite agreement on Berlin in 1971. *West Germany is the Soviet* Union's largest Western trading partner and has had considerable success in gaining Soviet agreement to the emigration of ethnic Germans, and does not have a pointed confrontation with the Soviet Union over human rights.

At the same time, West Germany, as the principal potential deployment area for the neutron bomb, is an inevitable focus of Soviet concern over the weapon.

A recent Tass commentary reminded West Germans that the neutron bomb is hardly an "advantage" for the Federal Republic because "if a conflict is provoked, it will be West Germany itself, being the nuclear arsenal of the United States, that would first of all be turned into atomic desert."

As a matter of established practice, Mr. Brezhnev prefers to have summit meetings end in the signing of documents. There are three pending Soviet-German agreements on scientific and technical co-operation, legal assistance and cultural co-operation which have been held up because each is covered by a Federal German agency located in West Berlin.

If some way of surmounting the West Berlin problem can be found, Mr. Brezhnev's visit could end with the signing of these agreements, or with a joint statement of principles on detente similar to that signed last June during his visit to Paris.

Mr. Brezhnev will probably be accompanied by high-ranking Ministers and the visit could also be the occasion for announcing new large-scale joint projects

A great deal will depend, however, on whether the West Germans have agreed to the deployment of neutron weapons on their soil.

NATO frustrated by Carter hesitation

By David Buchan

BRUSSELS, April 4.

NATO officials are getting increasingly frustrated at President Carter's reluctance to reach a decision over the neutron bomb. NATO officials want the bomb deployed as soon as possible.

Making a tally of the key countries on whose territory, or with whose forces, the bomb would be deployed, NATO officials believe that Prime Minister James Callaghan has gone about as far as the Left wing of his Labour Party will let him go in hinting that the neutron bomb should be added to the NATO armoury.

Moscow ready to negotiate bilaterally

By Leslie Colitt

BERLIN, Ap

THE SOVIET AMBASSA East Germany says Mo now prepared to negotia the U.S. over the highly versial neutron bomb. sador Piotr Abrassimov, ber of the Soviet Centr mittee and one of Moscow ing diplomats, says the tions should be bi between Washington an cow.

Until now, the Sovie sharply condemned the bomb, and have not sugg is negotiable with other systems as Mr. Abr stated here to-day. The Ambassador told foreig men in West Berlin t "negotiations can take between those who n they have such a bomb a who could produce it qu

Moscow's envoy noted t one assumes realism a monsense will prevail U.S. then I firmly believ not affect relations betw countries." Mr. Abrassi Mr. Leonid Brezhnev, th Communist Party Chair likely to raise the bomb issue with Herr Schmidt, West Germa cellor, during Soviet planned visit to Bonn ea month.

The Soviet Ambassad negotiated the 1971 fo agreement on Berlin wi Western powers, said lieves the "positive re the Berlin accord outwe he calls the "violations cow has repeatedly against alleged West violations of the Berli ment.

Asked about a Soviet vehicle which attempted to join a co lowing West Germany's President Herr Walter the Soviet Ambassador that the Russian army happened to be in th

Holland opens options exchange

BY CHARLES BATCHELOR AMSTERDAM, April 4.

THE MOST ambitious venture in traded options dealing outside the U.S. was opened in Amsterdam to-day. Dealers engaged in mock deals following the opening of the European Options Exchange (EOE) by Mr. Frans Andriessen, the Dutch Minister of Finance, ahead of the start of trading in earnest to-morrow.

The EOE just managed to reach its opening target of April 4 even if trading did not start on opening day.

The EOE has been closely modelled on the five-year-old Chicago Board of Options Exchange which has already spawned four other traded options markets in the U.S. as well as in Toronto, Montreal, Sydney and Singapore.

But Amsterdam is unique in deliberately setting out to create an international market in both stocks in which options are traded and in its membership.

It has had to trim its early, optimistic plans to trade between 10-15 options from half a dozen countries and is starting with nine stocks—three each from the U.K., the U.S. and Holland.

It has also decided to limit hours of trading in the first few days of operation until levels of activity have had time to build up. It said to-day, however, that trading in the first three days will last 4½ hours, from 10.30 a.m. until 3 p.m. instead of the two-hour sessions announced yesterday. This is still shorter than the six-hour trading day planned when it is in full swing.

Amsterdam has succeeded in attracting a wide spread of members from Holland, France, the U.S., Belgium, Switzerland and Austria, British stockbrokers and banks have so far only participated through subsidiaries domiciled abroad while discussion about the rules governing British membership continues with the Department of Trade.

The EOE's trading floor is in the merchants exchange, next to the stock exchange proper, on Amsterdam's "Damrak." The building was originally the home of the Amsterdam corn exchange but Holland's commodity trading is now concentrated *largely* on Rotterdam. Appropriately Chicago's grain traders were behind the setting up of the first U.S. traded options market.

In an indirect reference to London's plans to open a much more limited options market on *the floor of the stock exchange in three weeks'* time, Mr. Andriessen commended the EOE's decision to separate share and options dealings on two different floors.

He also expressed the authorities' concern that the Amsterdam venture should avoid the problems of the U.S. markets, where further expansion of option-trading has been halted pending a Securities and Exchange Commisson inquiry.

"The American experience in options can serve both as an incentive and a warning," he said at the opening ceremony. "While dealings in options can cover risks entailed in the transactions in the underlying assets that can also create risks. I don't object to risk-taking provided we know what the risks are and we are able to bear them."

Shorter week in Belgium

BY DAVID BUCHAN BRUSSELS, April 4.

BELGIAN UNIONS have this week won a notable victory in their campaign for shorter working hours as a means of reducing the country's high unemployment, with Fabrique Nationale (FN), the small arms and aero-engine manufacturer, agreeing to reduce its statutory working week from 40 to 38 hours at the end of this year.

This concession has ended a six-week strike at FN, and the 9,000-strong workforce is to return to work to-morrow. This balances the defeat the unions suffered last month when demands for a shorter working week at a Ford plant in Genk were bought off by an offer of increased pay by the management.

The overall aim of the campaign *is to reduce Belgium's cur*rent level of unemployment, running at nearly 300,000, by spreading around what work is available.

Coincidentally, the European Trade Union Confederation (ETUC) has called a "European day of action" for to-morrow to underline their members' anxiety about the level of unemployment in the EEC.

Hart in Gibraltar talks

BY JOSEPH GARCIA GIBRALTAR, April 4.

SUBSTANTIAL BRITISH financial support for Gibraltar is believed to be the probable outcome of development aid talks which began here to-day between Mrs. Judith Hart, the Minister for Overseas Development and Gibraltar leaders.

Education and housing are likely to be the main priorities *in the Gibraltar Government's* development programme for the next three years. Reclamation in the port area to take account of increased container traffic is another pressing need.

In the past there has been mounting criticism here of delays by British Government departments in approving British-funded schemes for Gibraltar. A number of projects in the current development programme have not even been started and will overspill into the next one. *It is thought* likely that aid in the region of £10m. will be granted at this week's talks which are to be followed later this month by a tough local budget.

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EUROPEAN NEWS

New powers planned for Swiss central bank

BY OUR OWN CORRESPONDENT

ZURICH, April 4.

NEW POWERS are foreseen for the Swiss National Bank in a Bill presented to Parliament by the country's governing Federal Council. A revision of the National Bank law would authorise the body to enforce various monetary measures which have hitherto been possible only on the basis of temporary emergency legislation or ad hoc agreements with the banking system.

The Bill would permit the bank to call in interest-free minimum reserves from the banks for holding on blocked accounts, a step intended to allow skimming-off of excess liquidity. The bank would also be able to increase or reduce these commitments in keeping with money-supply requirements.

The reserve sums could be equal to maximum rates of 12 per cent. of short-term demand deposits or *40 per cent. of the* rise in such deposits. In the case of long-term deposits, the top rates would be of 2 and 5 per cent., respectively. These percentages *could be doubled* for foreign deposits as an extra move to ward off non-resident funds.

At the same time, the National Bank would be authorised to effect an open-market policy, purchasing or *selling short-term securities* as a means of expanding or reducing commercial banks' liquidity volumes.

In the foreign exchange field, the maximum maturity for claims on foreign deals would be raised from three to six months and the bank allowed to acquire easily-negotiable promissory notes of international organisations or foreign banks.

Giving the Government greater authority

BY JOHN WICKS IN ZURICH

BAILIFF is a favourite political insult among the Swiss. It all goes back to Gessler, bailiff of the Habsburg emperors, who *vainly tried* to make the Swiss national hero, William Tell, salute his hat, stuck up on a pole as a symbol of authority.

Whether it actually happened or not, *almost 700 years ago*, the Swiss have retained a deep-seated distrust of imposed Government. Their traditional dislike of being told what to do (coupled with a certain pleasure in telling others and especially the bailiffs, what to do) has resulted in what comes close to being a classical democracy with its virtues and vices.

This process, together with the organic growth of the Confederation as an organisation of sovereign canton-States, has kept central Government and a *national bureaucracy down to a* minimum. Communal and cantonal politics are important because the communes and cantons are endowed with so much administrative power; Federal authority is remarkably circumscribed.

Because this is how the Swiss like it, and because Switzerland has proved so much more successful a venture than many of its neighbours in modern history, the principle of direct and decentralised democracy not unnaturally came to be regarded as necessarily in the public interest. The economic parallel lay in the development of virtually untrammelled free enterprise.

The past few years, however, have brought with them a growing need for delegated power. Just as Switzerland had to close ranks when surrounded by potential enemies in the *two* World Wars, so there has been a need for emergency action by the powers-that-be during the ups and downs of the national and international economy since the late 1960s. More and more problems have presented themselves which could not be solved at parish-pump level or by a simple referendum vote.

One of the biggest was the result of a definite "up" of the economy. From 1960 to 1974, the peak year, the foreign population of the country expanded by *almost half to* 1.06m. (excluding seasonal workers), because of a large-scale recruitment abroad of labour for industry and the construction and service trades. By the late 1960s this influx—which meant that one-sixth of the resident population was made up of aliens—had brought about an xenophobe movement. In 1970, some 46 per cent. of the electorate *supported a drastic motion* by a nationalist Parliamentarian, Dr. James Schwarzenbach, to reduce to 10 per cent. (25 per cent. in the special case of Geneva) within four years the share of foreigners in each canton's population.

Before the referendum took place, the Federal Government had promised to stabilise the number of foreign workers; similar efforts in previous years had failed because of insufficient strictness on the part of the cantons. One of the reasons why the Government was concerned about the growth of the foreign work force was the excessively quick expansion of the economy.

Public opinion as to the necessity for "interference" from the Confederation and its agencies changed fundamentally in view of phenomena such as the over-abundance of foreign workers,

The past few years have brought a growing need for delegated power.

double-figure inflation, and the doubling of the external value of the Swiss franc.

It was increasingly realised that the complicated nature of the modern world and the close links between Switzerland and other countries called for a more effective and flexible central Government. This belief was strengthened when, in 1975, the economy plummeted and Berne took such steps as an official *work-creation programme* (which would have been anathema to a right-thinking Swiss of only a couple of years before), the introduction of compulsory unemployment insurance and aid—albeit very modest aid—for crisis-stricken industries.

It was against this background that, in February, a large majority in a referendum voted *in favour of extending* the constitutional rights of the Federal Government to intervene in economic processes. Aimed particularly at enabling fast action *to counter unemployment or* inflation, the new clause permits the Government to intervene in the monetary, banking, public-finance and foreign-trade sectors.

In the new legislation the Government is expressly permitted to depart from the constitutional principle of commercial liberty where necessary and can take into account the "varying economic *development* of individual areas of the country." That provides a base for the formerly abhorred idea of a State structural policy. Among specific measures open to the administration are the temporary raising or cutting of federal taxes and dues.

The economic shocks of the past three years have meant that there was little organised opposition to the proposal.

Another element which has definitely played a part in popularising the idea of the more centralised control was last year's Credit Suisse scandal. The National Bank and the Banking Commission found their way clear to introducing all sorts of new restrictions agreed with the banks, which until then would have been *considered* crass interference and totally unnecessary.

The more important of these measures *are* embodied in a five-year agreement with the Swiss Bankers' Association, drawn up at the double last year under considerable National Bank pressure to improve identification of client funds and stop *Swiss banks actively promoting* the flow of fugitive money into Switzerland. In October the association itself issued a set of guidelines on fiduciary business and said it was working on proposals for depositor protection.

The Credit Suisse case also triggered off a Social Democratic campaign to strengthen State control over banking; while the future referendum on this still vague motion is virtually sure to fail, it is symptomatic that it should be suggested at all.

In the fiscal sector, there is a growing acceptance of the importance of the Confederation as a dispenser of funds—and thus of the necessity for the central Administration to take more in tax. *Bit by bit*, the Federal tax income is swelling.

At the same time, steps are now at long last being taken to "harmonise" cantonal taxes to *some extent; this bastion of* regional rights is no longer the forbidden ground it once was, even although a real standardisation of local tax systems is still nowhere near in sight.

It would be a mistake to exaggerate the growth of the central Administration's power base. The Federal Council and Parliament will continue to have their knuckles rapped by the electorate from time to time and will continue to steer clear entirely of some questions which are subject to communal and cantonal *sovereignty*. Switzerland is certainly not in the process of changing from a confederation into a federal republic. But the Government and bodies such as the National Bank are needed more and more as the outside world impinges to an ever greater extent on Switzerland and as changing views on the economy and social services demand increased performance from the Federal Administration.

Spanish Minister warns industry

By Our Own Correspondent

MADRID, April 4.

SENOR AGUSTIN Rodriguez *Sahagun, Spanish Industry Minister*, warned in an interview published to-day that the Government will not come to the rescue of private companies which have serious difficulties.

It was his first declaration since he was appointed Minister *at the end of February* in a Government reshuffle and comes at a time when many companies are going through a crisis period as a result of the depressed economy.

The Minister, formerly the head *of the* two leading *employers' organisations*, said in the newspaper El Pais that the Government "would not become a *hospital* or asylum for companies" and that it would only intervene in cases involving "general strategic *interests*" or when demand fell off drastically.

He said that there had been too much paternalism during the time when the industrial base of the Spanish economy was being formed and that the time had now come for restructuring to meet future needs. Companies would now be left to define their *own plans* in accordance with this policy.

Inefficient companies would not be helped and must realise that their day of reckoning could not *be put off* for ever.

Babcock and Wilcox Espanola in Bilbao, in which the British company Babcock and Wilcox has a 10 per cent. stake, suspended *temporarily all its outstanding* payments last month. The machine tool manufacturer has *total* outstanding debts of Pts.16bn. ($195m.) against total assets of *Pts.24.35bn. ($296m.).*

In February, the Bank of Spain and most private banks set up a "hospital bank" to come to the rescue of ailing banks, but this idea for the banking world has not been taken up on a wider industrial level.

Recently, the Government has come under attack from employers for not doing enough to represent their interests and the Minister's warning is likely to increase their discontent.

The Government will report to the Cortes to-morrow on the economic situation and will assess its Moncloa Pact with the opposition parties. The Government *feels* that the Pact is producing results and that, for example, the inflation rate (26 per cent. last year) could be cut by between 8 and 10 per cent. by the half-year.

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OVERSEAS NEWS

PRESIDENT MOBUTU OF ZAIRE

Playing on fears of past chaos

BY A SPECIAL CORRESPONDENT IN LUBUMBASHI

LAST month's execution of 13 officers and civilians convicted of plotting his overthrow has given a further clear indication that President Mobutu Sese Seko has no intention of liberalising the one-man rule he has exercised in Zaire for over 12 years.

There are signs, too, that he is matching his firm regime at home by keeping exceedingly close tabs on the myriad opposition groups in exile, mainly in Belgium, one of which was said to have intimate links with the alleged leader of the conspiracy, Major Kalume Amba.

The Zairean leader is a man facing a lot of problems. The country's economic crisis is deepening, the situation here in the southern copper-producing province of Shaba is far from settled *after last year's insurrection* and, as the executions demonstrated, he still feels it necessary to purge not only the body politic but also the army.

Over the years President Mobutu has developed an intensely personalised style of rule, surrounded by a privileged elite characterised mainly by its loyalty. He has been known to *call himself* "we" and terms himself the "guarantor of Zaire's future." Official posters describe him as the "guide" and salvation of the vast, ramshackle nation.

President Mobutu has played effectively on the fear of many Zaireans of reliving the chaos and violence of the immediate post-independence period. For many the thought of Mobutu's demise *is still* equated with deep anxieties about a resurgence of the bloodshed of the 1960-65 era, before he came to power and introduced a measure of unity *and relative stability*.

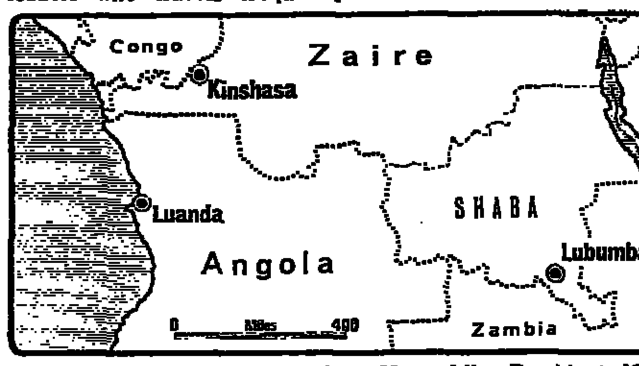
But a new element of doubt is creeping in with the emergence of a youthful largely urban generation with no first hand memory of pre-Mobutu days to *offset* its complaints about shortages, corruption and the widening gulf between the privileged elite and the rest of Zaire's 25m. population—twice the 1960 figure.

A survey conducted by Western diplomats in Kinshasa last year revealed that in the volatile 15 to 24 age group in the shanties surrounding the capital, unemployment was running at 48 per cent.

All this paints a picture of potential unrest that prompts the *question: can Mobutu survive?*

Many believe he can, and, indeed, must. The white and Zairean elite of private and state business are deeply concerned that the Zairean leader stay on, guaranteeing a freewheeling economy where the entrepreneur flourishes and, despite the parlous state of the economy, money can be made and exported.

President Mobutu's system of patronage and his harsh reaction to opposition, real or imagined, have ensured over the years that there is a loyal body of supporters in the army and in the administration as well as in the private business sector. He is, as a result, one of the few African leaders who travels frequently



abroad, often to his villa in Switzerland.

The highly effective secret police of the CND (National *Documentation Centre*) has ensured that there is no politician of any stature who provides a viable rallying point for opposition. The well-trained and well-paid presidential guard, drawn mainly from President Mobutu's native Equateur province, represents the elite of the army with a personal stake in his survival.

As the Shaba crisis last year demonstrated, such opposition as there is is disorganised and fragmented, split along tribal and ideological lines and apparently incapable of creating a unified front *inside Zaire to stand against* the president. When the insurgents of the Front National pour la Liberation du Congo (FNLC) made their move in Shaba, there was no corresponding upsurge of opposition in the capital 1,200 miles north of here, and many of the groups that bubbled to the surface at that time have since sunk quietly out of sight.

Acording to western intelligence sources the secret police is extremely active in Zairean exile circles in Brussels and Paris, keeping a careful watch *on any ties they try to establish* with figures in the army or in government at home.

Meanwhile, President Mobutu has carefully juggled the various constituencies that abound in Zaire, Africa's third largest nation populated by over 250 tribes, bringing in or neutralising potential threats and ensuring that his power is undiluted.

There is said to be a parallel command in the army alongside the formal hierarchy, created on a system of fealty that runs directly to the president himself. At last month's tribunal, most of the 80 soldiers and civilians sentenced to death or imprisonment came from the central Kasai region or the southern Shaba area—an indication of President Mobutu's persistent efforts to minimise the threat from the Lunda and Baluba tribes of these areas.

But there is, western diplomats believe, a limit to how long the president's system can survive in the face of deepening economic crisis. So far the system has been *to ensure that all the people who* matter are at the President's table to get their slice of the pie," one diplomat analyst said. "The problem now is that the number of people who should be there is getting bigger and because of the economic crisis, the pie is getting smaller."

In addition there is the risk of growing resentment against the President's rule *in the* central and southern areas of the country. The fact that most of the 50,000 to 75,000 Zaireans who fled to Angola during the Shaba crisis have yet to return appears to be an indictment of both the President and the Zairean armed forces, 8,000 to 9,000 of whom are now garrisoned in Shaba province.

The army itself is far from trouble-free. On the road leading here from the Zambian border 60 miles from here, ragged soldiers manned six makeshift *roadblocks*, apologetically explaining to those that asked that they had to exact "tolls" because they had not been paid for two months.

Similar roadblocks are reported on the main Matadi-Kinshasa road where lorries carrying the capital's imported food supplies now proceed in convoy to minimise the "tolls" the army exacts. Unlike the Presidential guard, the North Korean-trained Kamanyola brigade which is garrisoned in Shaba, experiences the same food *and pay problems as the rest of* the army.

At the same time, the FNLC of Col. Nathaniel M'Bumba continues to strike across the border in Shaba, *raising fears* that a second insurgency may be in preparation. Landmine-laying and harassment raids have been enough so far to keep the Kamanyola brigades tied down in the province, and there has been no indication that Angola-Zaire detente is anywhere near the stage where these two bitter enemies will reign in their respective surrogates.

President Mobutu's response to this will almost certainly involve an urgent appeal to the West to bail him out in return for his stand against Communism following Cuban and Soviet victories in Angola and the Horn. President Mobutu appears to be placing less hope in the administration of President Jimmy Carter than in conservative Arab countries, France and Belgium.

Unpalatable as President Mobutu's human rights record may be, he will certainly present *himself as the only viable alternative* to expanded Communist influence in Africa and to Soviet control of an area stretching halfway across the continent with some of the world's major resources of copper, cobalt and industrial diamonds. If recent indications are anything to go by, his rule at home will be harsh. Last January at least 700 *people were reported killed when* the Presidential guard put down a local wave of discontent in the central and traditionally troublesome Bandundu area. What started the unrest appears to have been shortages of food and other supplies. President Mobutu badly needs the economic revival he has promised if outbreaks of the same kind are to be prevented in the *largely* neglected hinterland of Zaire and, more importantly, in the slums and shanties that surround his capital.

This is the first of two articles on Zaire. The second will deal with the economy.

Refugees flee Angola offensive

BY QUENTIN PEEL

JOHANNESBURG, April 4.

MORE THAN 700 refugees have fled across the Angolan border into the northern Kavango province of neighbouring Namibia (South-West Africa) from fighting between Angolan Government forces and guerillas belonging to the rival Unita nationalist movement, South African officials in the area said to-day.

The refugees, all said to be civilians, have come from at least *100 kilometres inside the Angolan* province of Cuando Cubango where a major offensve by Government troops against Unita is said to be under way. Their presence in Kavango is the only hard confirmation of reports that a major offensive has been launched.

According to newspaper reports from the Namibian capital of Windhoek, attributed to "usually reliable sources," which are understood to be the South African Defence Force, the Angolan Government offensive is backed by Soviet MiG aircraft and armed helicopters, *piloted by* Cubans and East Germans. The reports say the offensive, against an area which has long been a Unita stronghold, has been continuing since the beginning of March.

The South African reports said one wing of the offensive in Cuando Cubango had been halted some 200 kilometres from the Namibian border after Unita cut the Government forces' supply lines. However, in neighbouring Cunene province, the Unita guerillas are said to be "hard pressed."

The South African Defence Force is believed to be supplying Unita with training and equipment, although it has always discounted such suggestions. Its information is thought to come directly from the guerillas.

Martin Dickson adds: At a news conference in London, Mr. Jeremias Chitunda, the Unita Secretary for Information, also said that a major offensive by the Luanda Government had been going on in Cuando-Cubango for the past fortnight. He claimed that 5,000 Cuban and 2,000 Government soldiers were involved.

New Union constitution for Ghana

By Our Foreign Staff

PREPARATIONS for a new constitution in Ghana are under-way after a *majority* vote *for a* Union Government in a referendum. Six of the country's nine regions voted for the Union formula which will mean a no-party system with involvement of the armed forces.

A commission will be appointed to draw up a draft constitution by the end of April. Three groups which opposed the idea of a Union Government have been outlawed.

The High Court judge who was to supervise the referendum has emerged from hiding, saying that he was intimidated by a group of armed soldiers. Judge Isaac Abban vanished just before the referendum.

OVERSEAS NEWS

U.S. team in Lebanese army talks

BY IHSAN HIJAZI

BEIRUT, April 4.

AN AMERICAN military team to-day began talks here on assistance in rebuilding the Lebanese army. The five-man delegation met Mr. Fuad Butros the Defence and Foreign Minister and Brigadier General Victor Khoury, the army commander.

Last August, the U.S. government promised to provide Lebanon with $100m. worth of arms and other military equipment to help President Elias Sarkis reconstruct the Lebanese army which had disintegrated during the civil war two years ago.

The Lebanese-American talks acquire a special significance in the light of preparations to send about 4,000 Lebanese soldiers forming the nucleus of the new army to South Lebanon to extend the Lebanese government's authority there—in co-operation with U.N. forces.

A unit of Lebanese gendarmerie to-day began patrol duties on the main highway between the ports of Sidon and Tyre. This is the first time in two years that Lebanese security men have ventured south of Sidon. Until the Israeli invasion of the south two weeks ago, the area from Tyre all the way to the Israeli border was virtually under Palestinian guerilla control.

Mr. Sarkis is reported to be determined to have last month's UN Security Council resolution applied in the south in full. The resolution provided for Israeli withdrawal and for extending Lebanese national authority to the border region.

Lt.-Gen. Ensio Siilasvuo, Finnish chief co-ordinator of UN's peace operations in the Middle East, arrived here to-day for talks with Lebanese officials on progress in deployment of UN troops in the south.

About 1,500 of these troops have already taken up positions there. Their number is expected to double by next week, according to Dr. Kurt Waldheim, the UN Secretary-General.

Rami G. Khouri adds from Amman: Mr. Mudar Badran, Jordan's Prime Minister, to-day began a three-day visit to Libya significant for indicating the way alliances within the Arab world may be shifting in reaction to the stalled peace initiative of President Sadat of Egypt towards Israel.

Mr. Badran, who is also the Foreign and Defence Minister, rarely travels abroad, and usually concentrates on domestic affairs. His visit to Libya—at Libya's invitation— is expected to concentrate on bilateral affairs, and is almost certain to result in a resumption of the annual subsidy of some $16m. that Libya had previously paid to Jordan under the terms of Arab summit agreements. The subsidy was discontinued after Libya broke off relations with Jordan after the fighting between Jordanian forces and the Palestinian resistance in 1970-71.

Relations were restored last year. Diplomatic sources here say that Colonel Gaddafy, the Libyan head of state, believes that the Jordanian attitude towards the Sadat initiative has been honourable and correct, and that it was primarily the refusal of King Hussein to join the Egyptian-Israeli talks in Cairo that has exposed the obstinacy of the Israelis.

No big Israeli withdrawal yet, UN claims

BY DAVID LENNON

TEL AVIV, April 4.

ISRAEL has not withdrawn any substantial number of troops from Lebanon, according to UN officials and correspondents on the spot. Their eye-witness reports contradict an Israeli army statement yesterday that there has been a significant thinning out of troops during the past week.

The three-day lull in fighting in the occupied-zone was shattered yesterday when Palestinian forces north of the Litani River fired 18 shells at the Christian village of Marjayoun just east of the Khardali Bridge. Israeli troops did not intervene, but fire was returned by the Christian militia in the village.

The small build-up of UN interim force (UNIFIL) troops is continuing, with 1,700 already in place. In addition to the French, Swedish, Norwegian, Iranian and Canadian soldiers in south Lebanon, troops are due to arrive from Nepal, Senegal and Mexico.

The UN spokesman in Jerusalem said to-day that the issue of Israeli troop withdrawals was still under discussion between the UN and Israel. Lt.-Gen. Siilasvuo, head of the UN Peace Keeping Missions in the Middle East, on Sunday met with Major-General Mordechai Gur, the Israeli Chief of Staff, "to discuss the modalities of the Israeli withdrawal."

According to the spokesman, no final time-table had been agreed and there were no indications that Israel had pulled out any troops.

The Israeli army spokesman insisted to-day that Israel had withdrawn some troops but refused to specify how many or from which fronts. He denied reports in some Israeli papers that troops had already been withdrawn from the Litani River.

Correspondents in south Lebanon reported that they saw no indication that Israel was withdrawing or even preparing for withdrawal.

It is understood that Mr. Samuel Lewis, the U.S. ambassador, discussed the issue when he met yesterday evening Mr. Menahem Begin, the Prime Minister.

It is expected that there will be some agreement on troop patrols shortly. Mr. Ezer Weizman, the Defence Minister, who is due to return to Cairo next week, will want to show Israel's goodwill by pointing to the agreement to pull back troops or possibly the beginning of this movement.

The Cabinet held a lengthy debate on Sunday when Mr. Weizman reported on his talks in Cairo last Thursday and Friday. The Cabinet expressed regret at the Egyptian rejection of Israel's call to renew the work of the joint military and political committees.

Mr. Weizman believes that the continuing talks with the Egyptian leader will help to rebuild mutual trust between the sides.

However, the Foreign Ministry has been expressing fears that President Sadat's willingness to host Mr. Weizman is part of the Egyptian leader's effort to deepen the rift between Israel and the UN.

Ministry officials fear the President wants to demonstrate that he is keeping the door open but that it is Israeli intransigence on key issues which is preventing progress.

Japanese Diet passes budget

BY DOUGLAS RAMSEY

TOKYO, April 4.

JAPAN'S fiscal 1978 budget became law to-day after passing through the Upper House of the Diet (Parliament) just four days after the start of the fiscal year. Two enabling Bills cleared the House of Councillors by a vote of 125 to 109 with most opposition members voting against the budget on the grounds that it does not fully meet their demands for big income tax cuts this year.

In Japan, separate bills are required to enable spending on general account (amounting to Y34,295bn., around £83bn., in 1978) and the Government's fiscal loan and investment programme (Y14,880bn.). According to the Construction Ministry to-day, public works projects placed under its aegis by the 1978 budget will produce Y23,500bn. worth of new demand in the Japanese economy and create an estimated 50,000 new jobs.

The Ministry indicated, moreover, that it will carry out the Government's declared policy of "telescoping" a sizeable portion of public works spending into the April-June quarter.

It is estimated that the Finance Ministry will have to raise an unprecedented amount of funds with the public to finance the increased budget deficit. Traditionally, Tokyo has kept a lid on the deficit at 30 per cent. of the budget, but the latest estimate for fiscal 1978 is 37 per cent. and it could go higher if, as expected, a supplementary budget is introduced in the autumn.

In pushing the budget legislation through the Diet, the Japanese Government was forced to make modest amendments in the budget to secure the approval of some opposition members.

Nkomo to consider new meeting

LUSAKA, April 4.

LEADERS of Rhodesia's Patriotic Front guerillas will meet soon to discuss their response to the latest Western peace moves for the territory, Front co-leader Joshua Nkomo said to-day.

He and Mr. Robert Mugabe may bring forward a meeting planned for next week to work out their position, Mr. Nkomo told a news conference here.

Britain announced yesterday that British and U.S. envoys would visit Africa soon to try to arrange a two-stage conference on a Rhodesia settlement.

The envoys, Mr. John Graham from the Foreign Office and Mr. Stephen Low, U.S. Ambassador to Zambia, will attempt initially to arrange a meeting between Anglo-American negotiators and the Patriotic Front, and then an all-party conference grouping the Patriotic Front, signatories of the internal agreement and other interested parties.

Mr. Nkomo made it clear that the Patriotic Front maintained its earlier stated stand on peace efforts.

"We made it clear that we have not accepted the Anglo-American proposals but that we agree to negotiate with the British and the Americans on the basis of those elements that are acceptable," Mr. Nkomo added.

Reuter

Tokyo airport to open in May

BY OUR OWN CORRESPONDENT

TOKYO, April 4.

IN THE midst of continued threats from radical opponents that they will fight on, the Japanese Government announced to-day that it will officially open the new Tokyo International airport at Narita on May 20 and that the first scheduled flight will touch down on the following day.

The new date was signalled to all foreign airlines who now must take the necessary measures to switch their flight programmes from the present Haneda airport near Tokyo to Narita, 40 miles outside the Japanese capital.

At a special Cabinet meeting this morning, the Government also agreed to create an airport security guard charged with preventing any further violence at Narita of the kind which forced the delay in opening of the airport.

Only days before the airport was to open, thousands of protesters scuffled with some 14,000 riot police in and around the airport, while a half-dozen radicals got into Narita's control tower and smashed several million dollars' worth of ground communications equipment.

The Cabinet has apparently ruled out the arming of airport riot police with pistols.

Meantime, opponents of the airport, which was completed in 1972 and has stood idle ever since because of protests from Narita farmers and their radical supporters, have begun to build another makeshift steel tower on private farmland at the end of Narita's 4,000 metre runway.

It is the third makeshift tower built on the same spot in the past six months—the previous ones were torn down by police who are authorised to enter the private enclosure only when the steel structure infringes on air space vital to the safe operation of the airport.

Japan has edge on EEC in China

BY CHARLES SMITH, FAR EAST EDITOR IN HONG KONG

JAPAN SEEMS likely to hold an advantage over Western Europe in exploiting the opportunities created by China's recently announced economic modernisation plans even though the EEC has succeeded in negotiating a trade agreement with Peking.

This was forecast by Mr. David Newbigging, chairman of the Hong Kong-based trading group, Jardine Matheson on the second day of the Financial Times Asian Business Briefing yesterday.

Mr. Newbigging said Japan appeared to have the edge over Europe in that its newly concluded trade agreement with China provided for specific quantities and types of goods to be exchanged (totalling $10bn. each way over an eight-year period) whereas the EEC agreement only provided a legal framework for trade. The extension of Most Favoured Nation treatment to China in the agreement would not make much difference, Mr. Newbigging said, because the EEC was already applying MFN rates to its imports from state trading countries. Another questionmark over EEC-China trade involved the speed at which the EEC Commission would be able to negotiate the expansion of import quotas on Chinese products.

Despite European handicaps vis-à-vis Japan in trade with China, Mr. Newbigging said he still expected very "substantial" growth in China's trade with Europe over the next few years. He thought China was particularly interested in obtaining technology and advanced industrial equipment from the U.K., West Germany, France and Italy. He took a much more limited view of the prospects for U.S.-China trade which, he said, remained constricted by political problems (arising out of U.S. non-recognition of Peking). Until these problems were sorted out China would continue limiting its imports from the U.S. to products it could get nowhere else (for example, commercial jet aircraft, urea fertiliser plants, computers and some types of machine tools). Products like wheat and soyabeans would only be bought from the U.S. when market conditions forced China to do so.

Reviewing the prospects for Hong Kong-China relations, Mr. Newbigging expressed confidence and optimism. He estimated China's foreign exchange earnings from Hong Kong at between $2bn. and $3bn. per year and said that, so long as this flow of funds continued, China would be unlikely to want to disturb the status quo. "It is practical politics, rather than 19th century agreements, which will determine the future of Hong Kong."

Mr. Newbigging's assessment of China's future trade relations was balanced by a review of Japan's overseas relations in which Prof. Kei Wakaizumi of Kyoto Sangyo University argued strongly for a more activist foreign policy. Mr. Wakaizumi presented opinion in Japan as being divided between pacifists who believed that Japan remained powerless to influence its external environment and advocated a continuation of "low posture policies" with heavy reliance on the U.S., and activists who felt that Japan must play a leading part in "re-shaping the international order."

As examples of successful "activism" by Japan in the recent past Prof. Wakaizumi instanced Japan's new policy of developing an equal partnership with South East Asia and its strategy towards China and the Soviet Union which called for closer relations without the disturbance of regional power balances. He conceded, nevertheless, that Japan faced the extreme risk in both regions notably in South East Asia where it could be considered to be in a "no-win situation."

Excessive Japanese interest in furthering the economic development of South East Asia was likely to lead to accusations of dominance whereas a hands-off policy would provoke charges of neglect. Prof. Wakaizumi's overall view of Japanese foreign policy options was supplemented by a paper on business development in Japan in which Father Robert Ballon of Sophia University of Tokyo explains the Japanese viewpoint on some of the hot economic issues now at stake between Japan and the developed West.

The remainder of the second and final day of the Briefing was taken up with a review of banking and financial developments throughout the region with stress on the emergence of a multiplicity of Asian financial centres. Mr. Michael Bentley of the Korea Merchant Banking Corporation drew attention to the emergence of two types of merchant banking organisations in Asia, one linked to major international institutions such as the big American banks, the other predominantly regional or national. He argued that there was a place for both types of institutions but stressed that both needed international financial expertise. Mr. Bentley said that the spread of merchant banking services in Asia seemed not to apply to northeast Asia with the single exception of Korea where, he noted, the function of merchant banks were being rigorously defined by law instead of being left to develop spontaneously.

Mr. Sumio Hara, Executive Adviser to the Bank of Tokyo, considered the question of whether Asia could be considered to have "none, one or many" financial centres and concluded that the region had had none at the start of the 1960s but now boasted up to four centres with Singapore being followed by Hong Kong, Tokyo and, most recently, Manila. He pointed to the role of Asian financial centres in completing the "time sequence band" between the Middle East (Bahrain) and the west coast of the U.S.

Mr. Hara's overall review was supplemented by detailed accounts of the offshore money markets of Singapore and Manila. Mr. Thomas Duffy, Vice-President of Chemical Bank, described the planned growth of Singapore as an international financial centre under the guidance of the Monetary Authority of Singapore and using expertise drawn from the City of London. He noted a complementary relationship between Singapore and Hong Kong with the former providing the main inter-bank money market for the region through the Asiadollar Market and Hong Kong taking the lead as a centre for commercial loans. Mr. Jose B. Fernandez of the Philippines Far East and Trust Company disputed the notion that the developing countries could not play host to an international financial centre while admitting that, in planning such a centre, the Philippines Government had aimed in part at improving the flow of funds and information between the Philippines and the international banking community.

In the final paper of the conference Mr. David Bonavia, China specialist on the Far Eastern Economic Review, looked at the prospects for a war between Russia and China and emerged with the conclusion that the Soviet Union would have little to gain from it. A pre-emptive nuclear strike by the Russians could knock out many Chinese cities, Mr. Bonavia said but might leave the Soviets vulnerable "if the U.S. decided to join in," besides exposing Moscow to a hostile world opinion, not least because of the consequences in terms of atmospheric pollution.

AMERICAN NEWS

Energy and tax bargain under discussion

By Jurek Martin

WASHINGTON, April 4.

THE CARTER Administration is toying with the idea of backing a Congressional bargain on two outstanding policy issues—the stalled Energy Bill and the growing desire to reduce recent and planned social security tax increases.

The principal advocate of the ingenious scheme, whereby the proceeds of the proposed tax on crude oil would be used to compensate for a cut in social security levies, is Congressman Al Ullman, chairman of the House Ways and Means Committee.

He appears to have struck some responsive chords inside the Administration, which is making last ditch efforts to get a reasonably effective Energy Bill through Congress and which is simultaneously afraid that Congressional action on social security can only lead to the dismemberment of the $24.5bn. tax cut package.

However, both Administration and Congressional sources acknowledge that it might be difficult to get Congress to accept this linkage. Senator Russell Long, Chairman of the Senate Finance Committee is thought to have a low regard for the crude oil tax in any case, a dim view about tinkering so soon with social security and profound scepticism about linkage.

Just about the only circumstance under which Mr. Long would permit the crude oil tax to take effect would be if the oil and gas industry received a sizeable chunk of its proceeds so as to encourage further exploration. The Administration, of course, wanted the proceeds to be ploughed back to consumers.

Mr. Michael Blumenthal, the Treasury Secretary, is due to testify to-morrow to Congress and it is thought he will reveal the Administration's hand on Mr. Ullman's proposal then. There are powerful forces inside the Administration who think that the crude oil tax is dead already and that the President can ill afford to delay much longer in imposing stiff taxes on foreign oil.

Move to allow airlines to reduce fares

By John Wyles

NEW YORK, April 4.

THE CIVIL Aeronautics Board (CAB) has decided to issue a landmark proposal which would give U.S. airlines substantially greater freedom to cut domestic air fares.

The move is a further reflection of the philosophy of Mr. Alfred Kahn, who took over recently as chairman of the CAB. It is also in step with the intent of a Bill being considered by Congress which would remove many of the regulations which have traditionally governed U.S. airlines domestic operations.

Mr. Kahan and his colleagues believe that there is substantial scope for reducing domestic air fares and, during the past year, the CAB has approved a broad range of cut-price air fares which, with certain booking restrictions, has made seats available on scheduled flights at as little as 50 per cent. of normal prices.

The new CAB proposal would free the airlines from the need for Board approval for a range of fare reductions. For instance, the Board's rule that first class fares should usually be 62 per cent. higher than the normal economy fare would be removed, and the airlines would enjoy greater freedom to apply fares in particular markets, although general increases or reductions would still need CAB approval.

The proposal would also formalise the board's de facto shelving of its traditional profit impact test, which required it to be satisfied that discount fares would generate more profit for the carrier than did the status quo.

The first whiff of the new policy became apparent last month when the CAB allowed Western Airlines and National Airlines to cut their Miami to Los Angeles fares by 35 per cent., without any of the usual discount fare booking restrictions.

Some of the financially weaker airlines are nervous about the new dawn breaking over the industry, although the CAB maintains that its ability to prevent predatory tactics will not be impaired under its new policies. Evidence of the unease came yesterday when the chairman of National Airlines, Mr. L. Maytag, warned that, although "excessively discounted" fares were increasing traffic, they would also hurt the profitability of the industry. Arguing that discount fares must be suitably hedged about by restrictions to prevent the diversion of normal business, Mr. Maytag cited his airline's experience on the New York-Miami-Fort Lauderdale route where few restrictions have been imposed on the sale of cut-price tickets.

"Our airport personnel were besieged up to the last moment by passengers holding regular fare tickets who wanted to switch, if a super-no-frills seat became available through a no-show. Additionally, the no-show (ticket-holder failing to turn up) problem increased," said Mr. Maytag.

U.S. COMPANY NEWS

Pabst expects sharp first quarter decline. Goodrick deal in Portugal. Beker accounts queried—Page 34

Canada raises lending rate to stem fall of its dollar

BY VICTOR MACKIE

OTTAWA, April 4

THE CANADIAN Government has moved again to try to stem the decline of the Canadian dollar by increasing the Bank of Canada lending rate to 8.5 per cent. and increasing its line of credit for U.S. dollars by $1bn.

The increase in the standby credit with Canadian chartered banks from $US1.5bn. to $US2.5bn. and the announcement that the Bank of Canada lending rate will rise 0.5 per cent. was made late on Monday. It followed a drop in the Canadian dollar to under 88 U.S. cents, the lowest point since the depression of the 1930s.

In the Commons, Mr. Jean Chretien, the Finance Minister, made the surprising disclosure that he plans to bring in a new budget this month. Earlier, he had been rejecting Opposition calls for a budget by saying he wanted to see how the financial measures he introduced last autumn were working through the economy.

Opposition leader, Mr. Joe Clark, said that the budget should introduce sales tax cuts and reductions in income-tax for the low and middle-wage income earner. He said the Government should not bring in a "do-nothing" budget at a time of severe economic crisis.

Opposition MPs outside the House were cynically predicting that the Government would introduce massive tax cuts and then dissolve Parliament to go to the country for a general election in June.

Mr. Chretien said that the date of the budget will be announced after Thursday's Cabinet meeting. The announcement by the Bank of Canada came some hours after Mr. Chretien's budget disclosure.

The higher lending rate took effect on Tuesday. Mr. Gerald Bouey, Governor of the Bank, said that the pressure on the Canadian dollar resulted partly from normal seasonal weaknesses in the balance of payments, causing an outflow of funds, and partly from a temporary lull in foreign borrowing by provinces, mu[nici]palities and corporations, re[duc]ing the the currency ente[ring] Canada.

Mr. Chretien gave the s[ame] reasons for the increase in st[and]by credit. He said that Gov[ern]ment reserves had been use[d to] make up for the lack of ca[pital] entering Canada.

The $US750m. raised b[y a] recent bond issue in the U.S. [would] help replenish the rese[rves] added Mr. Chretien. The Gov[ern]ment's actions came after [the] dollar closed following Mond[ay's] trading at 87.95 U.S. cents d[own] from its opening level o[f ...] cents. At one point, the Cana[dian] dollar was listed as low as [...] cents.

Experts in the Finance De[part]ment here could only attri[bute] the drop to disappointment a[t the] Bank of Canada's failure to [raise] its lending rate to chart[ered] banks last week-end. Banker[s] anticipated the rate inc[rease] because of an expected len[ding] rate increase by the U.S. Fe[deral] Reserve Bank.

Trade deficit expected to wide[n]

BY OUR OWN CORRESPONDENT

WASHINGTON, April [4]

THE U.S. trade deficit could widen by a further $8bn. this year before improving in 1979, according to a new study released under the auspices of the Brookings Institution to-day.

The author, Mr. Robert Z. Lawrence, argues that this will be caused principally by the deteriorating competitiveness of U.S. manufactured goods in world markets, brought about by the appreciation of the dollar in 1975-76, which has still to work itself through the system.

Mr. Lawrence's calculations use the balance of payments method of determining the trade figures, which is widely used outside the U.S. On this basis, the U.S. deficit last year came to $31.4bn., about $5bn. more than the merchandise trade shortfall which is normally emphasised here.

On the basis of the trade figures from the first quarter of 1975 to the first half of last year, he finds that about half the $39.4bn. turnaround in the trade balance was accounted for by the surge in oil imports, a quarter by the failure of cyclical recovery overseas and a fifth by competitive deterioration.

Mr. Lawrence points to a 15 per cent. turnaround in relative U.S. export prices in 1975 and the first half of 1976 which was closely parallel to changes in exchange rates. Since 1974 the U.S. share of global manufacturing goods trade has declined by nearly 2 percentage points, with the bulk of this coming in 1975 and 1976 when the dollar was strong.

Officials from the U.S. Treasury have adamantly argued that there has been no substantive decline in U.S. competitiveness, a position which has been partly supported by different indices compiled by the International Monetary Fund.

However, the overall thrust of Mr. Lawrence's argument is very much in line with current Administration policy towards the deficit and, to a degree, the dollar. The author expects the recent decline in the value of the dollar to have its impact on competitiveness, though perhaps at a rather later date than does the Treasury.

But his general prescription is a familiar one. Although he anticipates no real increase in oil imports this year, an energy policy is nonetheless required, so is greater growth overseas, an effective programme on domestic inflation: and a p[olicy] of non-interference with th[e dol]lar on the foreign exch[ange] markets.

Another paper in the B[rook]ings series highlights a cu[rious] economic phenomenon whic[h has] escaped attention. Last ye[ar, at] a time when the federal b[udget] was in deficit by $50bn., when big cities like New [York] were supposedly all going b[roke,] state and local government [ran] up a staggering $29.2bn. b[udget]ary surplus.

President Carter has [blamed] state and local govern[ment] "under-spending" as a dr[ag on] the economy. Local autho[rities] had countered by claiming much of their surplus came [from] non-productive areas suc[h as] social insurance funds. [The] author of the Brookings [paper,] Mr. Edward M. Gramlich [of the] University of Michigan, se[ems] to side with the President [in his] conclusion that the prime r[eason] was the sharp decline in [state] and local government con[struc]tion spending.

If the analysis is corre[ct, it] has fairly profound policy [impli]cations, particularly f[or the] federal government with a [weak]ness for public works [pro]grammes.

VENEZUELAN ELECTIONS

Close race to the presidential post

BY JOSEPH MANN IN CARACAS

VENEZUELA officially launched its 1978 presidential campaign last week-end with a spirited assortment of rallies, marches, and "romerías" (picnics) all over the country.

Candidates spoke to cheering crowds in provincial cities, shook hands by the thousand and munched local delicacies while their supporters drove long caravans of decorated cars through the larger cities, honking horns, blasting out songs on loudspeakers and littering streets with leaflets.

Venezuelans will go to the polls in December to choose a new president, national congress, state and local representatives. They will all take office in March next year and serve for five years. Most campaign energy, though, will be directed toward the election of each party's presidential candidate. This will be the fifth popular election held since the country's last dictator—Gen. Marcos Pérez Jiménez—was ousted by a military-civil revolt in 1958.

Venezuela, the largest petroleum producer in Latin America and the country with the region's highest per capita income, ranks as one of the few nations south of the Rio Grande which has a multi-party system and regular, democratic elections. Although dictators ruled this South American republic through most of its history, the democratic process is now functioning quite smoothly.

The current government faces no threat from the military which, quite to the contrary, is working to ensure that the elections are carried out in an orderly manner. Communist extremists last year staged a number of attacks on small villages, killed Venezuelan soldiers and warned peasants not to vote. But the guerilla threat in Venezuela, a major force during the 1960s, is now a marginal problem.

The present administration, headed by President Carlos Andrés Perez, has enjoyed billions of dollars income from petroleum exports and has initiated the most ambitious development programme in Venezuelan history.

Even so, the government party, Acción Democrática (Democratic Action), will have a tough battle to regain the presidency since many Venezuelans are highly dissatisfied with chronically poor public services, are critical of rising prices and government waste and tend to blame these problems on the current administration.

Under the Venezuelan constitution Sr. Pérez—like all other incumbent chief executives here—cannot return to the presidency for ten years.

More than 4m. Venezuelans voted in the elections five years ago when Sr. Pérez won the presidency. Around 6m. are eligible to vote this year, out of a national population of 13m. Eight candidates representing eight parties are in the running at present, and more expected to join the fray later on.

In 1973, President Pérez, representing AD, won with 48.6 per cent. of the vote. The candidate for the chief opposition party, the Social Christian (COPEI), earned 36.7 per cent. Numerous other parties entered those elections but none received anything approaching 10 per cent.

The far Left parties together took just under 10 per cent. of the 4.1m. valid votes cast, and other minor groups shared the remainder.

The race this year is primarily between the two "establishment" parties (AD and COPEI), both of which expouse Left of Centre, reformist philosophies. In fact, it will be extremely difficult to tell the two apart this time around since their positions on most matters are nearly the same. In the four elections held since 1958, AD has won the presidency three times while the COPEI candidate, Dr. Rafael Caldera, captured the presidency in a close race in 1968.

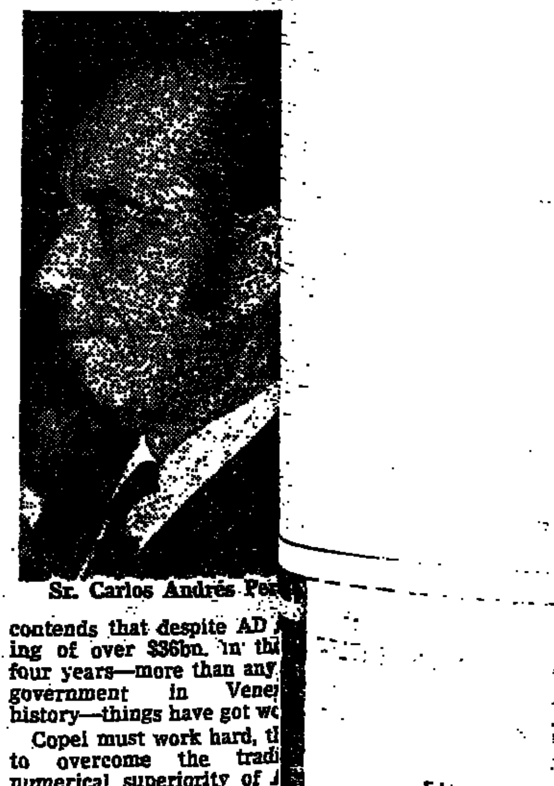
Venezuela, the largest petroleum producer in Latin America, ranks as one of the few nations south of the Rio Grande which has regular, democratic elections. It will prove it this December.

The two top candidates in 1978 are Sr. Luis Pinerua Ordaz for the government party and Sr. Luis Herrera Campins of COPEI. Both men were born in rural Venezuela in 1925 and have devoted their professional lives to party work.

Sr. Piñerúa is a member of the Chamber of Deputies and secretary general of his party. He has served as Minister of the Interior, acting president, head of the National Agrarian Institute and governor of Monagas State. Described as an excellent administrator, he is basing his campaign on a continuation of the Pérez administration programmes, with special stress on housing, water, agriculture and Government clampdowns on crime and official graft.

The Copei candidate, Sr. Herrera Campins, is a senator and journalist who has been a party official for many years. His work within the Social Christian movement took him to Europe many times, where he learned French and Italian.

Sr. Herrera has an easier task than his AD opponent in that he can naturally assume the offensive position and blame the AD government for popular problems such as water shortages, power cuts, higher prices of food and clothing, housing deficiencies and the perpetual snarl up of public transport. His party contends that despite AD [spend]ing of over $36bn. in th[e last] four years—more than any government in Vene[zuelan] history—things have got wo[rse.]



Sr. Carlos Andrés Pé[rez]

Copei must work hard, t[hough,] to overcome the tradi[tional] numerical superiority of [Acción] Democrática. AD has [always] been stronger than its opp[onents] except for the 1968 race [when] AD suffered one of its [...] internal divisions, a split [which] cost it the presidency.

One recent presidential [...] poll gave each major [...] didate 34 per cent. of the [presi]dential vote. This was [...] good news by AD leaders [since] their candidate had been [...] behind steadily for [...] months.

Besides its apparent ad[vantage] as the government party, [Acción] Democrática also [...] nearly 1.3m. active [members] according to Party [...] Membership in Co[pei is] estimated to be between [...] and 800,000. But not [all] members vote the pa[rty ...] Venezuela, and the [...] largest block of vo[ters is] independent.

One potential candi[date,] Sr. Diego Arria, a [former] governor of Caracas and [Minister] of Information and Touri[sm,] recently resigned from the government. Sr. Arria [has con]siderable popularity [...] and can be expected to [...] least 500,000 votes, [...] if he decides to [run for] president.

Other candidates [...] presidential line up [...] José Vicente Rangel [...] Movement to Socialism, [...] Beltrán Prieto of the [...] Electoral Movement, Sr. [...] Martin of the Left Revolu[tionary] Movement, Sr. Héctor Muj[ica of] the Communist Party, Sr. Pablo Salas Castillo, of [the] Nationalist Civic Crusade, [and] Alejandro Gómez Silva of [the] United Nationalist Front.

Of these, the parties wit[h the] best chance of obtainin[g a] significant share of the Dece[mber] vote are Movement to S[ocial]ism (which won 4.2 [per] cent. in 1973 when it ran fo[r the] first time) and the Left [Revo]lutionary Movement. [...] parties have chosen [...] establishment candidates [...] have concentrated their e[fforts] in unions and slum areas.

WORLD TRADE NEWS

Fraser to visit Tokyo for major economic talks

BY KENNETH RANDALL

CANBERRA, April 4.

THE AUSTRALIAN Prime Minister, Mr. Malcolm Fraser, and the Japanese Premier, Mr. Fukuda, will meet for two days in Tokyo this month to explore ways in which prospects for the various international trade and economic policy discussions over the rest of this year might be improved.

The talks, starting in Tokyo on April 19, fall within a broad understanding reached recently by the two governments. Wherever practicable each has agreed to try to consult the other before entering into important discussions with a third party or international organisation.

A senior Australian Government source said to-day that Mr. Fraser had suggested the talks because of a growing concern that failure to make substantial progress towards trade expansion and economic policy coordination in coming months could lead to "disillusion, bitterness and even tension" in the international community.

The Government source said that given the pressure on the American dollar and current prospects for the GATT multilateral trade negotiations, UNCTAD and the economic summit—to name only some of the factors—"there could be greater protectionism with fiercer competition for shrinking markets and increasing friction, not only between developed and developing countries but generally. Mr. Fraser sees this as a critical year and believes every avenue should be explored to see that all Governments are behaving responsibly.

Mr. Fukuda will be visiting Washington shortly after his talks with Mr. Fraser and is expected to have a key role in the economic summit, being scheduled tentatively for June.

In a brief formal statement announcing the Tokyo visit to-night, Mr. Fraser stressed that he would not be raising bilateral issues. He expected the talks to cover the general problem of the world economic situation, world trade and the north-south dialogue for international economic development.

Mr. Fraser said the world faced significant economic problems. He had suggested to Mr. Fukuda that there would be an advantage in their meeting before Mr. Fukuda left for Washington. The Japanese leader had readily agreed.

Duty up on wood screws

BY KENNETH RANDALL

CANBERRA, April 4.

AUSTRALIA IS imposing a temporary protective duty of 40 per cent. on imports of wood screws from all sources except New Zealand, Papua New Guinea and some specified developing countries, which will retain preferential duty arrangements.

Hong Kong and Taiwan have been excluded from the developing countries because their exports of wood screws were found by the Government's temporary assistance authority to have caused "significant disruption" of the local industry.

A Government announcement to-day said the protective measures would help local manufacturers to contain their costs by increasing production volume and to stabilise employment. It should also give them time to complete a programme of reorganisation and product rationalisation.

The Government has also announced tariff quotas on imports of wool worsted yarns and wool blend yarns, backdated to March 1. The annual quota for these yarns has been set at 1.1m. kilogrammes with additional duty of \$A2.50 a kilogramme payable for above-quota imports.

European car makers discussed tariff rise

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

AN INCREASE in the common European tariff on automobiles has been informally discussed among European vehicle manufacturers and within producer associations, according to a new study of Japanese-European trade relations.

The tariff, which would affect all cars coming into the Community from other trading areas, would be designed to give the European industry a chance to form stronger and larger units behind restrictive walls.

"European manufacturers are aware that requesting a raise in tariffs would constitute a departure from past policies but *some of them are in favour of* organising international trade on a new basis," the report says.

The study, prepared by the Batelle Geneva Research Centre for a group of leading Japanese academics, adds that the likelihood of such a proposal being adopted seems extremely low.

That is because of technical obstacles in instituting such a duty—such as the degree of the increase, the difficulty of making the tariffs non-discriminatory, and the problems of restructuring within Europe—as well as wider issues such as the general European commitment to lower tariffs.

The report concludes that a better course would be to adopt the objective of eliminating non-tariff barriers and an attempt to equalise competitive conditions for foreign manufacturers.

Japan would then have to prove that it was taking definite steps towards equalisation.

It goes on to propose that the Japanese pursue more actively the recently adopted policy of "proving that Japan is an open market," and increase imports of European products.

On the European side, the report says that governments may attempt to rationalise the industry by promoting transnational mergers, and European companies seek to step up their sales in Japan.

It argues that adopting European cars to Japanese conditions ought to be investigated in more detail, and that that might be done jointly or individually by European companies.

The report coincided with an article in a West German newspaper yesterday in which Mr. Seisi Kato, president of Toyota Motor, said that Japanese motor companies want more foreign manufacturers to compete with them in Japan.

National and international competition contribute to the health of the industry worldwide, he said in an article in the Frankfurter Allgemeine newspaper.

Honeywell Japan venture

BY DOUGLAS RAMSEY

TOKYO, April 4.

TEMPTED BY continued high growth in the world's second largest market for data processing equipment, the American company Honeywell has decided to take an 80 per cent. stake in a new joint venture with Mitsubishi to market Honeywell systems in Japan.

The company announced in Tokyo and Minneapolis to-day that the two have signed a "memorandum of intent" towards setting up the new company, to be called Mitsubishi H.I.S., subject to final negotiations and approval by the Japanese Government (which screens all incoming investment).

Honeywell Information Systems (H.I.S.) in Tokyo said it expected the procedures to take about 120 days. It hoped the new company could get off the ground in July.

Honeywell thus becomes the last of the main U.S. data processing companies to take a capital stake in the Japanese computer market. Mitsubishi H.I.S. would be initially capitalised at Y1bn., 80 per cent. from Honeywell, 20 per cent. from Mitsubishi Office Machines (MOM), sole sales agent for Honeywell computers in Japan.

By contrast, IBM Japan is a wholly owned subsidiary of IBM and is the largest single company in the Japanese industry (with sales in 1977 just over \$1.bn.). NCR Japan is a 100 per cent. subsidiary of the American company, and the Univac division of Sperry Rand has a 34.7 per cent. stake in Nippon Univac, which builds computers in Japan.

MC 28

More recent entries include Control Data Corporation (CDC) and Burroughs. CDC has been in Japan since 1973 but in 1976 bought out its joint-venture partner, C. Itoh and Co., and now operates two wholly-owned subsidiaries in Japan.

Honeywell gave no indication to-day of future expansion plans in Japan, but industry experts reckon the company will have to go into producing software here to compete effectively for the specialised Japanese data processing market with other companies building hardware and software on the spot.

Honeywell has relied on MOM to sell its equipment in Japan in competition with computer systems built by Toshiba and Nippon Electric (NEC) on the basis of licensing arrangements with Honeywell. The proliferation of agreements was one side-effect of Honeywell's acquisition in 1970 of the computer division of General Electric (GE). Previously, GE technology was licensed to Toshiba and Honeywell technology to NEC.

Honeywell's full-scale entry into the Japanese market may help to increase the proportion of sales by foreign companies to half or more of the Japanese market. In mid-1977, the value of all-purpose computers operating in Japan was Y2,500bn. (about \$10bn.) and foreign manufacturers had taken 42.5 per cent. of the market.

India takes up two Airbus options

BY ROBERT MAUTHNER

PARIS, April 4.

THE DOMESTIC Indian carrier, Indian Airlines, has converted two of its options for Airbus A-300 aircraft into firm orders, bringing its total orders for the European airliner to five. The company has another three Airbuses on option.

Counting the latest order, Airbus Industrie has sold 70 of its highly successful wide-bodied aircraft and has 37 further options.

Two days ago, the Franco-German - Spanish consortium received another big boost when it reached agreement with the operators of New York's La Guardia Airport to enable the A-300 to use the airport from November 15.

The agreement removed one of the last obstacles to the proposed \$800m. sale of 23 A-300s to Eastern Airlines, which has been leasing four of the type since December last year. Only an agreement between the U.S. company and its lenders now stands in the way of a firm contract.

Last month M. Marcel Cavaillé, the French Transport Minister, said the aircraft offered "sure prospects" of selling more than 300.

● British Aerospace, the nationalised aircraft manufacturer, has won another export order for the Hawk jet trainer and light combat aircraft—this time from Indonesia for eight aircraft, worth about £25m., Michael Donne, Aerospace Correspondent, reports.

That follows the signing late last year of the £100m. order for 50 Hawks for Finland, a deal which is subject to the U.K.'s buying a comparable volume of goods from Finland or helping Finland to sell its goods elsewhere.

The order from Indonesia covers aircraft, Rolls-Royce-Turbomeca Adour engines, spares, and training of pilots and engineers. It is understood that no offsets are involved. It is regarded by British Aerospace as an important breakthrough into the South-east Asian market, where further orders for Hawks are being sought.

● As part of the buy-back agreement under which Finland bought its Hawks, the United Baltic Corporation of London has ordered a 7,200 ton Ro-Ro ship from the Finnish shipbuilders Rauma-Repola, Lorne Barling writes. The value of the contract is understood to be about £8.5m. and a similar order is expected from UBC's associate, Polish Ocean Lines, in the near future.

● A £4m. order from Hawaiian Air, Hawaii's biggest airline, has been received by Short Brothers, the Belfast aircraft manufacturer, for three SD-330 aircraft for delivery late this year and early next. Hawaiian air is the seventh, and largest, airline to buy the SD-330 for scheduled services.

Chinese Minister in W. Germany

BY ADRIAN DICKS

BONN, April 4.

THE CHINESE foreign trade minister, Mr. Li Chiang, is spending a week in West Germany as the guest of Count Otto Lambsdorff, the West German Minister of Economics, in the course of which he is to visit several industrial plants in different parts of the country.

Mr. Li's visit, reciprocating that paid by Herr Hans Friderichs to China in 1975, is the first to West Germany by a Chinese cabinet minister. It follows his signature in Brussels yesterday of China's first five-year trade agreement with the European Community.

West Germany is China's largest single trading partner among the nine, with a two-way volume of trade that reached some DM1.8bn. in 1977. Because this is at present split almost exactly two-to-one in Germany's favour, Mr. Li is known to be looking for opportunities to increase Chinese exports to the Federal Republic. At present, these consist principally of agricultural products, sundry raw materials and textiles.

On the German side, periodic rumours of major contracts for industrial installations and equipment have not so far been substantiated, beyond the now largely completed deal for a steel complex with rolling and continuous casting facilities at Wuhan. Recent Chinese trade delegations to West Germany have, however, included experts in the coal, electricity generating and electrical engineering industries.

During his stay here Mr. Li is meeting Chancellor Helmut Schmidt and the Foreign Minister, Herr Hans-Dietrich Genscher, in addition to his contacts with business and economic officials.

German dam contender

BY DIANA SMITH

RIO DE JANEIRO, April 4.

BROWN BOVERY'S West German subsidiary is offering a \$2bn. package to finance construction of a new Brazilian hydroelectric scheme.

The Xingo hydroelectric project, delayed through lack of finance, is on the Sao Francisco river in the north-east.

Brown Bovery has backing from a pool of German banks led by the Commerz Bank, Dresdner Bank and Deutsche Bank, plus a \$50m. credit from Germany's aid to developing countries.

The Xingo scheme, in a natural gorge, would require an exceptionally high dam, the highest contemplated for Brazil.

● Occidental Petroleum, one of two big U.S. oil companies operating in Peru, has signed two agreements with the State-owned company Petroperu. One to exploit heavy oil in the northern Amazonian jungle, the other for secondary recovery operations in the Talara area, on the northern coast (Reuter reports from Lima).

Armand Hammer, chairman of Occidental, said on a recent visit here that his company would spend another \$290m. in Peru over the next two years.

Swedes cut pulp excess

BY MAX WILKINSON

EXCESS PULP stocks in Sweden have been reduced by 225,000 tonnes or almost half in the first three months of 1978, it was disclosed yesterday.

Mr. Bo Wergens, managing director of the Swedish Pulp and Paper Association, said he expected inventories to be reduced to normal levels within a few months. At the beginning of last year pulp manufacturers had excess stocks of about 1m. tonnes as a result of failing to cut back production during the recession in demand.

Mr. Wergens was commenting on the annual statement from the Swedish Pulp and Paper industry for 1977.

Mr. Wergens suggested that prices might improve this year through increased consumption and production of paper and paper board in the U.S. and Western Europe.

Swedish shipments to the international pulp market rose 10 per cent. in the first three months of 1978 compared with the period last year. However, prices were still low and supply will in future have to be better adjusted to demand. That, Mr. Wergens said, would mean that in Sweden and other producing countries the operating ratio of the industry would have to be held below capacity in most grades.

The Swedish Pulp and Paper Association report shows that the country's paper and board production increased by about 2.3 per cent. to 5.1m. tonnes in 1977. Total capacity in the industry is estimated at 6.3m. tonnes. Mills were operating at an average of 73 per cent. of capacity during the year.

The Swedish market for the paper and board stagnated while exports rose by 14 per cent. to 3.7m. tonnes. Exports to the EEC rose by 5 per cent. and shipments of paper and board to the U.K. rose from 760,000 tonnes in 1976 to 810,000 tonnes in 1977.

Pulp exports rose 6 per cent. to 3.3m. tonnes but prices fell heavily.

TV centre for Saudis

A contract worth Riyals 2.1bn. (\$U.S.600m.) was signed on Monday between the Saudi Ministry of Information and Dyckerhoff U. Widman of Munich to build a complete new television complex in Riyadh, James Buchan writes from Jeddah.

The contract calls for building and furnishing a 200,000 square metre complex, with a 170-foot transmission mast, news film and video production studios, control rooms, film processing labs and the station's own power generator.

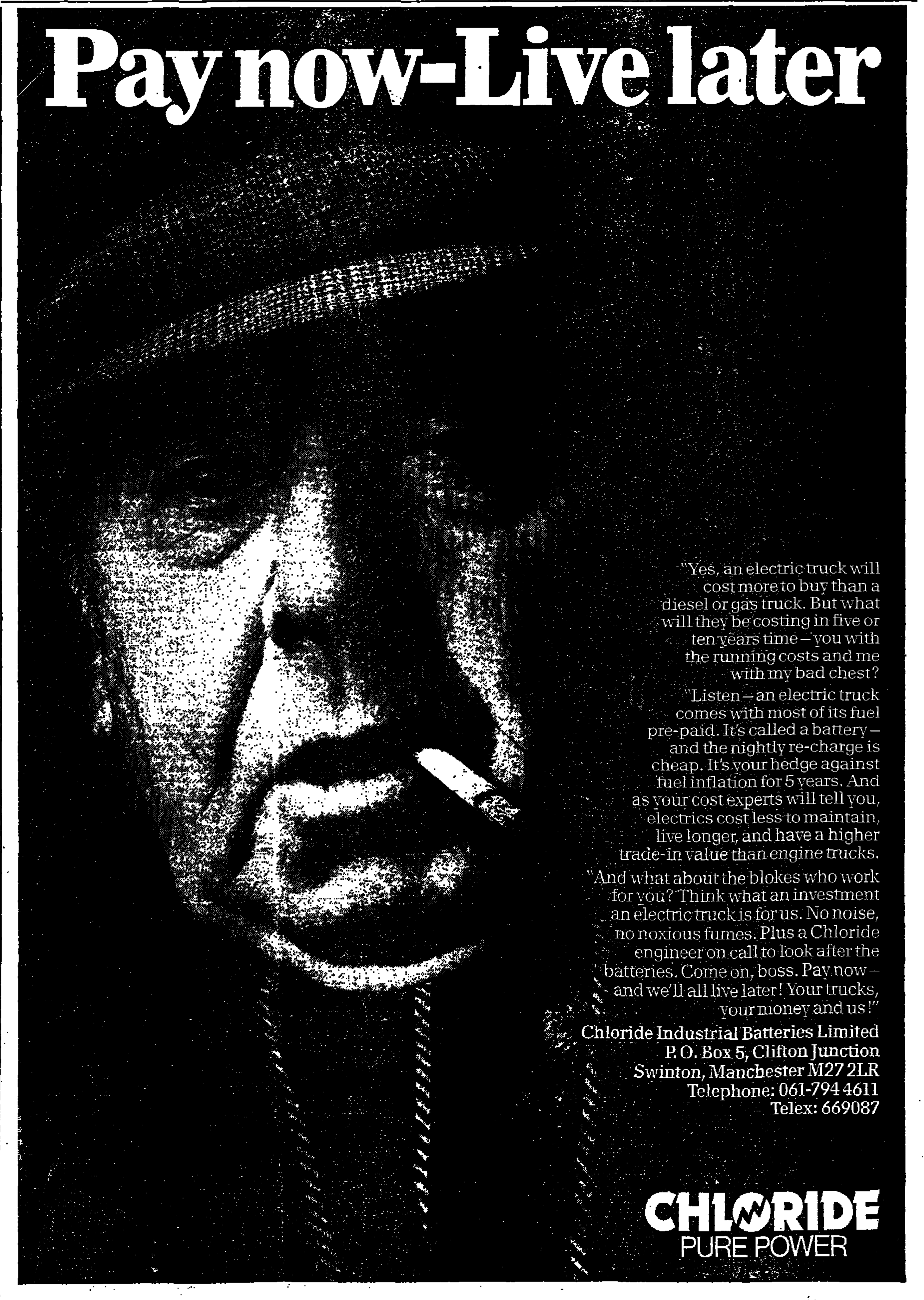
Saudi Arabia wishes to improve coverage of Saudi affairs abroad by increasing locally generated material.

Textile watchdogs

Finland, India, South Korea and Thailand have been named to serve this year alongside the EEC, United States, Japan and Colombia on an international watchdog body supervising world trade in textiles, Reuter reports from Geneva. The GATT Textiles Committee approved the appointments to the Textile Surveillance Body, chaired by Mr. Paul Wurth, of Switzerland.

\$600m. refinery plan

Two Fluor Corporation subsidiaries have received contracts worth more than \$600m. to upgrade Venezuela's Amuay Refinery from Petroleos de Venezuela's Lagoven subsidiary, Reuter reports from Irvine, California. The project will provide the flexibility necessary to cope with fluctuations in the residual fuels market.



APPOINTMENTS

ANNOUNCEMENTS

ART GALLERIES

CLUBS

COMPANY NOTICES

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HOME NEWS

Shipbuilding orders hit 10-year low

BY OUR INDUSTRIAL STAFF

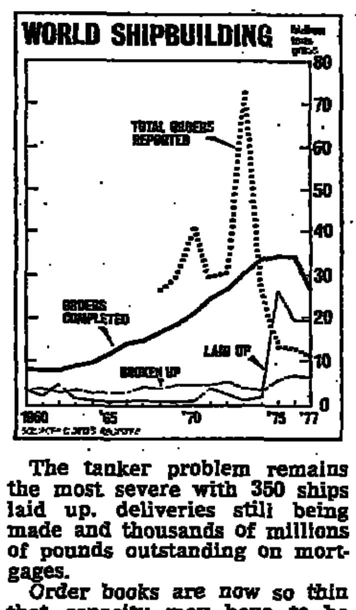
THE AMOUNT of over-capacity in the world's shipbuilding industry is "frightening," Mr. Robert Huskisson, chairman of Lloyd's Register of Shipping, says in its annual report published yesterday.

By the end of 1977 the world shipbuilding order book stood at its lowest for more than ten years. In four years the annual world-wide order book has fallen from 73.6m. gross tons in 1973 to 11.09m. gross tons in 1977.

The future looks gloomy. Last year Mr. Huskisson had predicted more s tability in the market by 1980, now he says this is still a possibility, "but only a remote possibility."

The report shows Britain fifth in the list of shipbuilding nations last year, taking 4 per cent. (slightly under 450,000 gross tons) of the total 11,091,103 gross tons ordered. Japan had 52.1 per cent., with South Korea, Norway and Sweden the others ahead of Britain.

Mr. Huskisson does not consider hopes that a vigorous scrapping policy would solve the problem of overcapacity to be justified, and forecasts that in 1978 the total orders would be for about 12m. gross tons—less than the productive capacity of Japan alone.



The tanker problem remains the most severe with 350 ships laid up, deliveries still being made and thousands of millions of pounds outstanding on mortgages.

Order books are now so thin that capacity may have to be reduced by up to 50 per cent.

The "knock-on" effect is already producing over-tonnage in the dry cargo market as owners switch from tankers to bulk carriers and Mr. Huskisson said new orders, when they come, will be for more and more specialised ships.

In spite of the slump in the world shipbuilding industry Mr. Huskisson said shipping remains a long-term growth industry. In 1977 the fleet classed by Lloyd's Register increased by 6.5m. gross tons to a record 114.3m. gross tons.

● Figures released by the General Council of British Shipping to-day show that between January 31 and February 28 this year the total world tonnage laid up rose by 2.8m. deadweight tons. The 48,459,000 deadweight tons, 8 per cent. of the fleet, was made up of 391 dry cargo ships and 335 tankers.

The figure for the laid-up dry cargo fleet, 12,384,000 deadweight tons, is the worst yet and can be compared to the 5,527,000 deadweight tons for the end of February, 1977.

The U.K. tanker tonnage laid up rose from the January figure of 2,002,000 deadweight tons, 19 ships, to 2,041,000 deadweight tons, 20 ships.

The laid-up dry cargo figure fell from 1,285,000 deadweight tons, 19 ships, to 1,274,000 deadweight tons, 17 ships. The overall percentage of the fleet laid up rose to 7 per cent., or 3,315,000 deadweight tons.

House prices u[p] 5% this year says Nationwi[de]

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

EVIDENCE THAT house prices were beginning to accelerate more rapidly at the start of 1978 than at any time since the last price explosition five years ago came from the Nationwide Building Society yesterday.

According to the Nationwide, average house prices rose by 5 per cent. in the first three months of this year against an average of only 1 per cent. in the previous quarter. During last year as a whole, they increased by an average of about 8 per cent.

The average rate of increase seems, however, to have been generally lower than was being suggested when the Government stepped in to call for a reduction in mortgage lending in an attempt to prevent prices from rising too rapidly.

The Nationwide figures, however, conceal some marked regional price increases, calculated by the Society to have been as high as 15-20 per cent. in some areas.

Mr. Leonard Williams, chief general manager of the Nationwide, said last night that there was now evidence to suggest that the market was already "topping out" in terms of prices and that rather more properties were being released on to the market in areas where they had recently been scarce.

The Nationwide, the country's third largest building so[ciety is] now lending about £ ... [a] month. Of that figure, ... going on ordinary hou[se pur]chase and is therefore ... to the Government's 10 ... cut in lending levels.

Intervention

Without this interven[tion] Nationwide would no[t have] been lending about £ ... house purchasers in the ... way, plus another £ ... existing borrowers or ... people switching fro[m local] authority mortgages.

Prices rises would ... Mr. Williams emphasise[d ...] was hoped, at a lower ... in the first quarter of ...

The Nationwide statis[tics ...] that the average 5 p[er cent.] increase recorded du[ring the] first quarter was exceed[ed ...] cent.) in London, the W[est Mid]lands and the North ...

For the first time si[nce ...] the average annual in[crease in] house prices (11 per c[ent.) was] slightly higher than ... mated increase in aver[age earn]ings and in retail pr[ices over] the same period.

Mr. Williams believe[d ...] earnings were likely t[o ...] about 14 per cent. dur[ing ...] He thought it unlik[ely ...] average house price[s would] greatly exceed that fig[ure ...]

CBI warning on industrial policy

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A WARNING that governments should not expect their policies to have an immediate effect on the development of new industrial projects was issued yesterday by the Confederation of British Industry.

This view was based on the findings of a survey conducted by the CBI which shows that most new industrial projects take between two and a-half and four years to develop and that some larger investments may take as long as 10-15 years.

"This points to the conclusion that Government policies which seek to affect investment cannot be expected to show full results in the short term," declares the CBI. Consequently, it adds, governments need to maintain stability in policies affecting industry.

The limited impact of Governments' specific industrial assistance schemes on investment decisions also emerges from the survey, which says: "The availability of Government assistance was only one among many relevant factors and unlikely to exert a decisive influence, especially if there was any uncertainty over the permanence of measures of assistance."

This led the CBI to conclude that frequent changes in such incentives would "prevent them having the full effect intended."

The survey's results therefore help support the campaign by leading industrialists concerning the need for political parties to refrain from developing new policies on industrial intervention.

But the initial idea for the survey stemmed partly from concern that both the last Conservative Government and the present administration have expected companies to bring new investment projects into production too quickly following changes in political policies.

"It has become fashionable in some quarters to criticise British industry for insufficient investment," says Sir John Methven, CBI director-general, in an introduction to the survey. "Such criticism is based on ignorance of the investment record of British companies."

Developing this theme, the survey says: "Accurate information on investment lead times is scarce, yet it is an essential ingredient in the formulation of policies affecting investment.

"Rapid changes in Government policy are consistent with neglect of this factor, leading Government to believe that a particular policy has failed, and therefore introducing further policy changes."

The CBI's survey is based on postal replies from member companies covering 136 investment projects, backed up by 24 case studies.

Investment Lead Times in British Manufacturing Industry. Report of a CBI working party plus an appendix of reports on individual case studies. £10. CBI, 21, Tothill Street, London, SW1.

Advice for companies on pay deals

COMPANIES are to receive detailed legal advice from the CBI next week on the pay policy clauses which the Government is inserting in public sector contracts, writes John Elliott.

This follows the completion of talks between the CBI and senior civil servants on the drafting of the clauses, a copy of which was formally laid in the House of Commons library last week by the Government to demonstrate that the talks were finished and the clauses published.

Members of the CBI's working party of contract experts who studied the final version yesterday are still unhappy however because of the complexity and obscurity of some of the drafting. They fear that smaller companies without expert legal departments will have difficulty in assessing the business risks involved in signing contracts containing the clauses.

Because of this Mr. John Greenborough, CBI president, is to write to member companies next week explaining that the CBI is not recommending the clauses for acceptance but is leaving it to individual companies to make their own decisions. His letter will be accompanied by a detailed memorandum.

He is also likely to spell out that the CBI intends to reopen the question of whether the clauses are needed, and how they are drafted, when the next phase of the pay policy is debated later in the year.

The Government's determination to operate the policy was demonstrated yesterday when Mr. Joel Barnett, Chief Secretary to the Treasury, said that the Government was prepared to place its business abroad rather than conclude contracts without the clauses.

In a Commons written reply to an MP's question he said: "No firm should assume that it can automatically refuse with impunity to sign the new contract clauses relating to pay policy simply because the only competitor is a foreign firm."

Toshiba seeks TV link-up with Rank

BY MAX WILKINSON

TOSHIBA, the Japanese electrical giant, is hoping to link up with Rank Organisation for the production of its black-and-white televison sets and audio systems in the U.K.

It has proposed that Rank should build the Japanese-designed equipment under licence, to replace the units formerly imported from Toshiba's factories in Korea. These imports were curtailed by the Government last year.

The arrangement would help to bring more work to Rank's production lines which, in common with those of most other U.K. manufacturers, are operating at well under full capacity.

Executives from Toshiba's U.K. subsidiary are at present discussing the plan at the company's headquarters in Japan. Toshiba has also been interested in the possibility of having its 26-inch colour sets manufactured under licence in the U.K.

However, this has not proved possible so far, because of restrictions of the T... licence for the PA[L] system.

A link-up with Ra[nk ...] however, pave the w[ay ...] wider co-operation ... British set makers and ... companies, whose tec[hnical] resources are now ... recognised to be super[ior].

Yesterday, General ... Company maintained ... silence about report[s ...] might sell its televisi[on manu]facturing division to ...

Sales battle

GEC's television ... failed to make an adeq[uate ...] for some years. With ... 10 per cent. of the hom[e ...] its prospects for reco[very have] not seemed optimistic.

Granada's rental ch[ain ...] of GEC's major custom[ers ...] of the rest of its produ[ction ...] compete with Japanes[e ...] in the 40 per cent. of t[he ...] available for direct s[ale ...] than rental.

Sales slide forces Decc[a] to close Midlands plan[t]

BY JAMES McDONALD

DECCA, WITH a 7 per cent. share of the U.K. colour television set market, is to close down the colour TV section of its West Midlands factory at Willenhall, and the 350 workers involved have been given 90 days' notice. Production of audio units will continue there but the TV section is the largest in the plant.

Decca said yesterday that the eight-year-old factory had been making considerable losses in its colour TV section for the past two years. The plant had a capacity of 2,000 sets a week but had been running at half capacity "for a long time."

Colour TV production will now be concentrated in Decca's other, and largest, TV production plant at Bridgnorth, said Mr. Robert Watkins, financial director of Decca Radio and Television. Colour TV set capacity there was about 4,000 units a week but output at present ... around 3,000 weekly.

With new technolog[y ...] the corner, he added, ... capacity would rise ... 5,000 units a week, b[ut] there was no sign o[f ...] demand rising to ... greater potential.

He gave as reason[s ...] closure the decline ... demand, from about 2 ... year to 1.55m. units ... combined with slim ... existent profit margin[s ...] of the low level of TV ... prices in the U.K.

"Price margins last ... very unprofitable. T[...] improve this year: in ... have already gone up ...

Mr. Watkins said th[at ...] was not the U.K. c[ompany] manufacturer who ... approached Hitachi wi[th ...] to a merger.

Tootal rationalisation will cost 536 jobs

BY ANTHONY MORETON, REGIONAL AFFAIRS EDITOR

THE DEPRESSED textile market claimed another victim yesterday when Tootal announced that it was to shut its Sunnyside Spinning factory in Bolton, with a loss of 346 jobs.

The company also intends to rationalise production at the Sunnyside Weaving plant in the town, releasing 190 of its 482 workers. It is expected that the cuts will be made in July.

The Tootal decision is another blow for the North West, still reeling from the recent closures annnounced by Lucas, GEC and British Leyland, and it will bring renewed pressure for Government action.

Sunnyside Weaving has been incurring substantial losses for two years and economies would almost certainly have been made sooner had it not been for the Temporary Employment Subsidy.

Sunnyside Spinning is a slightly different case. The factory was built in the last century, and Tootal considers the cost of keeping it in operation too high especially as the five other spinning units—three in the North West, one in Northern Ireland and the other in Derbyshire—are much younger.

Tootal is to spend £4m. on a major re-equipment of these five plants, part of a £20m. investment programme for 1978 and 1979 which it also announced yesterday. The rest of the spending covers £4m. on the thread division, between £3.5m. and £4m. on fabric manufacturing and between £4.5m. and £5m. on dyeing, printing and finishing. The clothing division is to spend £3.5m. of which the larger portion will come under the clothing industry scheme.

New air link with Milan

A NEW non-stop "businessmen's special" service between Birmingham and Milan is being launched to-day by British Airways using BAC 1-11 jets.

The airline expects 10,000 passengers to use the service this summer.

Edwardes warns on 'too high' market hopes

MR. MICHAEL EDWARDES, chairman of British Leyland, warned yesterday against over-optimistic expectations of the company's ability to hold onto a U.K. market share of 28 per cent.

He told the Foreign Press Association that the improvement in sales last month—believed to be about 28 per cent. or even 29 per cent. of the market against 21 per cent. in January—followed an intensive marketing campaign and an upsurge in confidence.

Agency holding

The Welsh Development Agency has taken its first majority holding in a Welsh manufacturing company—a £72,000 investment in a new type of ticket vending system.

The investment, in the form of a shares and a loan deal, gives the agency 60 per cent. of the equity capital of the new company, Williams Automatic Revenue Controls.

Howell warning

Attempts to bring international sport and international sporting bodies under the control of political organisations is a matter of great concern, Mr. Denis Howell, Minister for Sport, told a meeting of European Ministers of Sport in London yesterday.

"Any attempt to change the balance of control in such a way that voting is done by politicians rather than sportsmen and in a way that does not represent the weight of participants in the country must be resisted."

Black president

The National Union of Students yesterday elected its first black president. He is Mr. Trevor Phillips, 24, whose parents came to Britain from Guyana in 1952.

In the election at the NUS conference in Blackpool, Mr. Phillips polled more votes than all his six opponents put together.

Mr. Phillips, the candidate of the Broad Left alliance of Communist and Labour students, will take over in the autumn

New plant

Magna, the U.S. speciality chemicals company, is investing £2m. in a new plant at Graythorp, Teesside.

Mr. Brian Wiggins, a vice-president of the company, said yesterday that the bulk of production would be aimed at export for use in oilfields in Europe, Africa and Asia.

Islamic art attracts high bid[s]

SALEROOM

BY ANTONY THORNCROFT

SOTHEBY'S continued its week of Islamic sales yesterday with an auction of oriental miniatures, manuscripts and Qajar paintings which totalled £449,088. A dramatic portrait of Fath 'Ali Shah in full armour painted by Mhir 'Ali in 1814 sold for £95,000, plus the 10 per cent. buyers' premium, and Atighetchi, an Iranian dealer, paid £60,000 for a portrait of his son, Dawlatshah, by Jafar.

Other high prices were the £32,000 from an Iranian collector for A Female Musician attributed to Abu'l Qasim; £25,000 for an erotic Turkish manuscript of 1773 with 85 miniatures; and £19,000 for a painting of a maiden kneeling on a carpet, attributed to Abu'l Qasim. The prices paid for Qajar paintings suggested that the market has settled on a steady, if still exalted, plateau after the sudden sharp rises and slight fall-off of recent years.

A small painting by Modigliani, dating from 1918, La Jeune Suedoise, sold for £60,000 at Christie's yesterday in a sale of impressionist and modern paintings and sculpture. It was one of two pictures bought by the Japanese Paideia Coy via direct telephone link with the saleroom. The other was a work by Moise Kisling, La Femme à la Jupe Verte, at £17,000.

The sale, which totalled £1,134,410 was noteworthy for the number of Japanese buyers in attendance. French and German interests were also strongly represented. The major disappointment was the failure to find a buyer for Les Tournesols by Chagall which was estimated at around £80,000.

Partridge, the London dealer, paid the morning's second highest price at £45,000 for an Alfred Sisley, Le Pont du Moret, signed and dated 1888. Renoir's Jeune Fille au Chapeau sold to an anonymous bidder at £42,000, and Fischer Fine Art of London paid £40,000 for an oil and water colour on gesso by Paul Klee, entitled Kunterbunt. Among the French contingent, Sarec paid £35,000 for Le Pont St. Michel, Paris, by Matisse.

Picasso was represented in the sale by two works, both going to the Japanese dealer, Yayoi. They are Mousquetaire at £30,000, and Le Mousquetaire Assis at £26,000.

In the afternoon session, devoted to Impressionist and Modern drawings and water colours, Tamenaga, the Japanese dealer, paid £25,000 for a gouache, water colour, pastel, pen and black ink by Chagall, La Rêve du Peintre.

A 1934 Dinky toy of a Pickfords removal van, which sold for 4d. when it was first marketed, made £370 at a charity auction at Phillips yesterday. It was the top price in a sale in aid of deaf children. The ... been sent in by viewer[s of the] children's television p[rogramme] Blue Peter.

All told the auction br[ought] £10,507. An Austin J[40] pedal car made in the 1[9..] for £175. It had been re[...] by British Leyland.

Fath 'Ali Shah in full a[rmour]

Road budget put at £300m a year for next decade

BY IAN HARGREAVES, TRANSPORT CORRESPONDENT

A GOVERNMENT review of all trunk road schemes has so far produced savings of £70m. and more can be expected, according to a White Paper published yesterday.

The policy statement envisages a stable annual road budget of about £300m. for the next ten to 12 years, by which time the Government expects most of England's road problems to have been overcome.

But during this period, the Department of Transport will continue to re-examine roads in the preparation pool on design standards and priority listing in the programme. This review will be conducted in the light of scaled down traffic forecasts produced earlier this year in response to the findings of the Leitch Committee report on trunk road assessment.

> 'The road building boom of 1970-71 when £680m. at to-day's prices was spent will never return.'

Earmarked

The review has so far led to the scrapping of 11 schemes and substantial downgrading of a further 24. More than 160 schemes in a total preparation pool of 400 are also listed in the White Paper as being of as yet undetermined standard. Under the terms of pre-1977 roads policy most of these projects were earmarked as being at least dual carriageways.

Department of Transport officials expect the initial review of both standards and priorities to take from six to nine months and it seems certain that many other plans will be reduced in scale or turned down in the process.

The White Paper's *budget* framework for the next decade, of £300m. a year, accepts that the road buildings boom of 1970-71, when £680m. at to-day's prices was spent, will never return.

It argues, however, that this situation is good for the road construction industry because it offers a period of stability free from the wild swings of Government spending in the past. The view of Mr. William Rodgers, Transport Secretary, is that he could not justify a budget greater than £300m. even if the resources were available.

The White Paper accepts that demand for road space will increase for the rest of this century, although more slowly than in the past. But it suggests that *"not all demands for transport and personal mobility can or should be met."*

It says that traffic could grow by anything between one-third and four-fifths by the end of the century.

The *Government* notes a growth in public concern about the effects of road building on the environment, but says that industry still requires and deserves many road improvements. For this reason, the Government's existing priorities of the M25 London Outer Orbital Road and the roads to the ports remain unaltered.

It says the Government will in future favour a more selective approach to road building, having rejected the idea of a fixed blueprint for the roads network.

On individual schemes, the Government undertakes to build on the criticisms and suggestions of January's Leitch report. The Transport Department has already started to use the Leitch-style "framework" approach to assessment, where an attempt is made to give greater weight to environmental gains and losses which cannot be expressed in simple money values.

Sympathy

The White Paper also agrees with the Leitch report that more should be done to apply the revised criteria to the road schemes of local authorities. The Government will also look sympathetically at the idea of giving local authorities a larger slice of the proposed roads budget.

Another trend supported by the White Paper is towards more open decisions, a theme dealt with in more detail in yesterday's White Paper on Highway Inquiry Procedures. The roads statement does, however, warn of the need to avoid blighting property by too early a release of information about alternative schemes.

On expenditure, the White Paper proposes, alongside the frozen £300m. construction budget, to maintain spending on maintenance at current levels.

The structure of the Transport Department's road building administration is also to be reviewed. A team has been appointed to examine the role of the regional highway construction units, established in 1967 to implement the roads programme.

In a description of schemes in the preparation pool, the White Paper *says* that 34 *schemes* costing £90m. have been dropped from the programme or downgraded to be replaced by schemes totalling £20m.

In future, options on the size be of a scheme will be kept open *for as long as possible,* but the paper adds that where plans are advanced to the point of being ready to let contracts, the two to three year delay resulting from a major design change may not be feasible.

Finally, it says the review is not a once and for all activity, but will continue to take account of changing circumstances. It adds: "From now on, no scheme will be published or will go to inquiry unless it accords with the principles set out, in the light of the recommendations of the Leitch Committee, in this White Paper."

Policy for Roads: England 1978. Cmnd. 7132. SO £1.60.

SCHEMES WITHDRAWN FROM TRUNK ROAD PROGRAMME, TO BE REPLACED BY MORE LIMITED SCHEMES

Route Number	Scheme Withdrawn	Replacement Scheme
A1/603	Sandy Junction, Bedfordshire	Minor Improvements
A5	Shrewsbury—Rhoswiel, Salop	Smaller schemes including Oswestry and Nesscliff Bypasses
A10	Brandon Creek—Southery, Norfolk	Minor Improvements
A11	Stump Cross—Newmarket, Cambridgeshire	Minor Improvements
A27	Lewes—Beddingham, East Sussex	Minor Improvements
A41	A405—Berrygrove Junction, Hertfordshire	Minor Improvements
A41	M54—Whitchurch Bypass, Salop/Staffordshire	Minor Improvements
A45	A1093—Levington Heath, Suffolk	Minor Improvements
A47	East Dereham—Hockering, Norfolk	East Dereham—North Tuddenham
A47	Hockering—Easton, Norfolk	Minor Improvements
A47	Kings Lynn—East Dereham, Norfolk (1980/82)	Narborough Bypass
A47	Kings Lynn—Peterborough, Norfolk/Cambridgeshire no stated date	Thorney Bypass and Eye Bypass and Minor Improvements
A49	Hereford—Shrewsbury, Hereford and Worcester/Salop	Onibury Diversion
A49	Hunger Hill—Dorrington, Salop	Hunger Hill Diversion
A49	*Shrewsbury—Whitchurch, Salop*	*Prees Bypass/Prees Green Diversion*
A59	East and West Marton Diversion, North Yorkshire	Minor Improvements
A127	GLC Boundary—Southend, Essex	Smaller schemes in due course
A127	Rayleigh Weir, Essex	Minor Improvements
A3392	*Basingstoke Northern Bypass* Hampshire	Minor Improvements
A458	A5 West to the Welsh Border, Salop	Small schemes
A465	Llangua Pontrilas (English Section) Hereford and Worcester	Llangua Village bypass scheme by Welsh Office
A483	*A5 South to the Welsh Boarder,* Salop	Small schemes
A595	Thursby—Carlisle, Cumbria	Thursby Bypass
A1079	Market Weighton—York, Humberside/North Yorkshire	Minor Improvements

Taking the heat out of inquiries

THE GOVERNMENT'S plan to take the heat out of public inquiries into road schemes will include a new system of nominating inspectors and access for objectors to a wide range of previously secret information, *write Ian Hargreaves.*

But a White Paper on highway inquiries published yesterday rejects one of the anti-road lobby's key arguments: that objectors at local inquiries should have the right to challenge a central Government decision to put up a road plan in the first place.

This type of decision, the *paper says, belongs to ministers* answerable to Parliament.

"The purpose of highway inquiries is not to enable local objectors to debate national *issues nor to* overrule the democratic decisions of Parliament."

The White Paper goes on, however, to make numerous concessions to the objectors. It says that in future, inspectors, who have been characterised by the anti-road lobby as puppets of the Department of Transport, will be nominated directly by the Lord Chancellor rather than simply being selected by Government Ministers from a list approved by the Lord Chancellor.

In future, the Department will:

—publish alternative routes concurrently with the draft order for the preferred route so that the inquiry can look at all options.

—publish any brief or guidance notes given to inspectors.

—open to inspection reports from consultants and the Landscape Advisory Committee.

—give objectors the chance to call for a re-opening of an inquiry where they can point to new evidence contradicting an inspector's findings.

—*set up* pre-inquiry procedural meetings.

—allow corrections of fact in draft inspectors' reports.

—television filming of inquiries will be permitted so long as it does not "influence the proceedings."

In the Roads White Paper also published yesterday, the Government summarises its aim on public inquires as "to make available for inquiries—or earlier when the information is available—the facts and analysis on which its proposals depend."

Report on the review of highway inquiry procedures. Cmnd. 7133. SO 35p.

SCHEMES WITHDRAWN FROM TRUNK ROAD PROGRAMME WITHOUT REPLACEMENT

Route Number	Scheme
A1	Gosforth High Street Division, Tyne and Wear.
A1	Skellow Cross Roads Flyover, South Yorkshire.
A6	Matlock Town Centre, Derbyshire.
A10	Foxton Level Crossing, Cambridgeshire.
A13	Lodge Lane Improvement, Essex.
A41	Hartspring — Brockley, Hertfordshire.
A45	Bury—Rougham, Suffolk.
A45	*Haughley* — Stowmarket, Suffolk.
A46	Painswick Bypass, Gloucestershire.
A46	M69/A47 Spur, Leicestershire.
A127	GLC Boundary — Moor Lane, Greater London.

RAC chief attacks protestors

Financial Times Reporter

AN ATTACK on environmentalists, whose protests had delayed completion of vital motorway links in the Midlands, was made in Birmingham yesterday by Sir Clive Bossom, RAC chairman.

Sir Clive said: "Lorries which at present choke up little villages will take full advantage of what, with the completion of the M40 and M42, will be a comprehensive Midlands motorway network.

"Those who object on the grounds of environment should come out from their caves, when they will find that the dinosaur is now extinct and the wheel has been invented."

Pensions rules ignorance criticised

BY ERIC SHORT

NEARLY 100,000 employees are likely to retire this year on smaller pensions than they are legally entitled to, because of their employers' ignorance of pensions legislation and Inland Revenue practice, according to Antony Gibbs Pensions Services, a leading firm of pension consultants.

Most pensions are based on final salary and for many employees this will have been kept down by successive phases of the pay policy. But the Inland Revenue will allow the employer to calculate salary for pension purposes taking into account recent inflation.

There are several definitions of final salary for pension purposes listed by the Inland Revenue and two are relevant in this particular case.

The first is that one can take *an employee's salary in any one* year of the last five years to the date of retirement and revise this salary in line with the cost of living.

The other is to take the average of any three years over the last 13 before retirement and revalue them in line with the cost of living.

Mr. Graham Puttergill, chairman of Antony Gibbs Pensions, quoted as an example an employee earning £11,000 in 1973 and now earning £15,000. Normally he would expect a pension of £10,000.

But he can base his pension on his 1973 salary and revalue it in line with the Retail Price Index. This has increased by 88.4 per cent. since 1973, so his pension could be based on two-thirds of £20,727, that is, £13,818.

The Superannuation Funds Office of the Inland Revenue pointed out yesterday that in many cases considerable sums would have to be put into pension schemes by employers to meet the increased liability.

Report justifies Midlands site for exhibitions

BY OUR OWN CORRESPONDENT

THE DECISION to build the National Exhibition Centre in the West Midlands has been justified, a Government-*sponsored report disclosed* yesterday.

Two years of research, carried out by the Joint Unit for Research of the Urban Environment at the University of Aston, and commissioned by the West Midlands office of the Department of Environment, showed that in 1976-77 51 per cent. of the total exhibition and conference market available from British industry was obtained by the centre.

The report said that during that year, £21.8m. was spent by visitors and exhibitors, and that almost 90 per cent. of that figure came from trade shows and not public exhibitions.

The centre had created 1,192 part-time or full-time jobs and 1,110 casual jobs in the area, predominantly in the catering industry.

The report highlights an addition to the income of the area of £10.3m., but later adds that it could be considerably greater.

In 1976-77 exhibitors spent a total £14.5m. on exhibition stands and contractor services, but of that figure, less than a third *(£4.5m.) was won by West Midlands* companies.

Attendance

Speculation that a Midlands site for the centre would be unable to compete with one in London has been disproved.

During 1977, the Mining Exhibition more than doubled its attendance, and 61,805 attended the International Business Show, compared with 39,000 when it was staged in the capital in 1975.

But the centre has not been without its problems. The report points to a need for further accommodation and restaurants in the immediate vicinity.

The lack of such facilities poses difficulties for the businessman who wishes to entertain clients.

A need also exists for more information and better promotion of tourist and leisure facilities elsewhere in the area, especially in Birmingham.

System X telephone exchange unveiled

BY JOHN LLOYD

SYSTEM X, the Post Office's new computer-controlled telephone exchange, was unveiled at the "Communications 78" exhibition in Birmingham yesterday.

The system is still in the last stages of development, but the Post Office was able to present a number of models demonstrating the system's advantages and its ability to interface with existing electro-mechanical equipment.

The first trial-run will be in October next year, when a small prototype System X exchange will be the centrepiece of the Post Office's exhibit at the Third World Communications Exhibition in Geneva.

The system will begin to go into the U.K. network by 1981 at the earliest, when it will be introduced into a London exchange and the Cambridge exchange.

One of its chief competitors will be the Ericsson AXE exchange, marketed both by the Swedish company and by Thomson-CSF, which also had large stands at the exhibition.

The exhibition was opened by the Duke of Kent.

Private steel spending may rise

A CAUTIOUS HINT of further investment in Britain's private sector steel industry came yesterday from Mr. Graham Wise, group managing director of the Sheffield-based Edgar Allen *Balfour group, now the leading* U.K. high-speed and tool steel maker.

Unveiling a new £2.25m. forging machine at the group's Openshaw works in Manchester, Mr. Wise said that if, as expected, the machine justified itself over the next few months, his company could well be looking at the possibility of installing one or even two more in the next few years.

The GFM machine, made in Austria, uprates the steel-making capacity of Edgar Allen Balfour steels by about 50 per cent. It was commissioned on time earlier this year and by the end of 1978 should be operating on three-shift working.

It can roll billets from 70 mm to 180 mm in diameter and is the first machine of its kind in the private special steel industry.

Mr. Wise said that for many years he had been studying new technology which might be used to replace some of the specialised rolling mills still used in the British steel industry. He was confident the Austrian GFM machine fulfilled the requirements needed.

Openshaw plant was sold by British Steel Corporation in 1972. Operating a "no redundancy" policy, Edgar Allen Balfour has turned the works into a profitable operation, said Mr. Wise.

New tax rates on company cars tomorrow

THE Government has raised the taxable value of company cars by approximately 10 per cent. and increased the level at which the two higher rates are introduced from £6,000 to £8,000.

The rates come into effect at the beginning of the new financial year to-morrow and will affect the liability to tax of directors and employees earning £7,500 or more.

TAXABLE VALUE OF COMPANY CARS

	Under 4 years £	Over 4 years £
Up to 1300cc or £2,500	190	130
1301-1800cc or £2,500-£3,499	250	165
More than 1800cc or £3,500-£8,000	380	255
£8,001-£12,000	550	365
More than £12,000	880	585

Based on cylinder capacities where available, otherwise on original market values up to £8,000. Above £8,000 based on value.

Rail chief is Voice of State Boards

By Our Industrial Editor

MR. PETER PARKER, chairman of the British Railways Board, has become the chief spokesman for the chairmen of 20 of Britain's nationalised industries.

He has been appointed chairman of the Nationalised Industries' Chairmen's Group, which represents the 20 in their dealings with the Government and other organisations.

The previous chairman was Sir Denis Rooke, chairman of the British Gas Corporation, who remains the group's chief spokesman on the salaries of nationalised industry board members.

This means that both Mr. Parker and Sir Denis will be in the forefront of the tussle which may develop with the Government over board salary levels when the Boyle Committee on Top Salaries presents its next report later in the spring.

The new chairman-elect of the group is Sir Frank McFadzean, of British Airways.

Tighter profit rules for drug companies

BY KEVIN DONE, CHEMICALS CORRESPONDENT

A MODIFIED price regulation scheme governing profits made by the pharmaceutical industry comes into operation this week.

The scheme follows a compromise deal agreed by the drug industry with the Department of Health nearly a year ago.

In return for an advantageous change in patents legislation, companies have accepted a slightly more onerous price regulation scheme, stiffened control of the contents of advertisements and a tightened industry code of practice.

For the first time drug companies must give the Government a forecast of their expected level of profits in the first three months of the financial year.

Previously, other than when applying for a specific price increase, companies have had to provide only historical financial data.

The purpose of the new Pharmaceutical Price Regulation Scheme is to offer both the industry and the Government an early warning scheme of companies likely to make excessive profits.

Eventually if such profits are proved the Government could order price reductions, delay increases or order a repayment of a proportion of the profits. In practice such actions have only rarely been taken.

The main concession made to the drugs industry by the Government was the withdrawal of the so-called Section 41 from the Patents Act. In the past this provision had allowed any company to apply for a compulsory licence for the manufacture of a drug.

Research-based pharmaceutical companies had feared that the Government might use the clause to provide licences for a state-owned drug company, as has been suggested in past Labour Party manifestoes.

In related moves the industry has agreed to tighter control of the quality of drug advertisements with regulations covering specific product details that must be included.

Under the strengthened code independent members from outside the industry have been added to the executive committee. Also sales representatives entering the industry for the first time will face compulsory examinations.

Manchester 'facing shortage of jobs'

FINANCIAL TIMES REPORTER

GREATER MANCHESTER could face a shortage of up to 150,000 jobs by 1986, unless new employment can be created. Councillor Tom Lavin, chairman of the county planning committee, said yesterday everything possible would be done to attract new industry but the main emphasis would have to be on stimulating growth and stability of existing industry, especially in areas of the county deprived of orders.

Introducing the Greater Manchester Council draft structure plan, he said the centres of most older towns in the county, as well as a number of overspill estates, deserved the level of priority now being given to inner city revitalisation.

The report blames contraction in traditional industries, such as textiles and mining, for the decline in Greater Manchester's industrial employment over the last 15 years.

In the ten years to 1975 an estimated 131,000 jobs were lost.

Newcastle seeks new industry

Financial Times Reporter

NEWCASTLE-UPON-TYNE has launched a drive to attract 2,500 new jobs to the city in the next three years. It is to concentrate on the chemical, mechanical and electrical engineering industries.

Mr. Kenneth Galley, the city's chief executive, announced a £200,000 marketing campaign in London to back the city's employment policy programme which was set up a year ago.

English disease is endemic

BY OUR ECONOMICS STAFF

THE SO-CALLED English disease is unlikely to be confined to Britain from now on but set to become typical of advanced democratic economies.

This was the main conclusion of Mr. Samuel Brittan of the Financial Times, in the eighth Henry Simons lecture delivered yesterday at the University of Chicago.

The lecture, "How English is the English Sickness?" will be published in the October issue of the university's Journal of Law and Economics.

Mr. Brittan said the "English disease pertains not to a particular country but to a stage in political and economic development."

The disease was that of collective action by special interest groups preventing a reasonably full use being made of our economic resources. Yet there was some hope that this disease, like many others, might eventually produce its own cure.

There was a need to distinguish between the problems of the gap separating the growth rate of the U.K. and that of other industrial market economies, and the more recent occurrence of high unemployment, high inflation and incipient protectionism which affected most Western countries in the 1970s.

The British inflationary excesses were recent, unlikely to persist and, therefore, not the most fundamental aspects of the British disease.

"Many other much-criticised British policies are also followed to a comparable degree by other governments, working under similar political pressures. Moreover, these errors are too recent to explain the longer-term weaknesses," Mr. Brittan said.

Inflation had not been conquered but at least the British authorities now had evidence that budget deficits financed by excess monetary creation led to an inflationary crisis rather than real growth.

The temptation to inflate the money supply in the name of full employment policies was an aspect of the English sickness now more likely to be experienced in the U.S. than Britain.

In discussing other long-term influences, Mr. Brittan referred to the impact of the class system—"In Britain, social status has less to do with merely making money than in almost any other western society."

He also discussed union power. "We do not know if the sustainable unemployment rate is too high for democratic stability or, if it is, what the role of union-type monopoly is in making it so."

Air survey will help to discover heat loss

By David Fishlock, Science Editor

A DOZEN large U.K. industrial companies are collaborating with the Atomic Energy Authority's Harwell observatory in an aerial survey of the heat lost from factories and commercial premises.

The Department of Energy said yesterday that it was funding night flights, expected to begin this week, over areas of the south, midlands and north-west of England, which would be filmed with a heat camera.

A multi-spectral infra-red camera will be used to film "hot-spots" along a flight path about one-third of a mile wide, showing where heat is leaking from plant or buildings.

The camera, imported from the U.S., is sensitive enough to show differences in temperature of as little as one-third of a degree centigrade from a height of 1,500 feet, when flown fairly slowly.

Infra-red surveillance of this kind is carried out at night to eliminate the distorting effects of sunlight, and is best carried out during relatively short "windows" in the spring and autumn, when climatic conditions are most suitable.

A spokesman for Harwell said yesterday that the research centre hoped to offset the cost of the pilot survey—about £45,000—by raising about £20,000 from companies examined, in exchange for assistance in analysing their heat leaks.

These companies include ICI Fibres, GEC, Pilkington, and Reed International. The laboratory plans to augment the aerial survey with infra-red measurements made on the ground, using portable heat cameras.

In charge of the studies is the image analysis group at Harwell under Dr. Bill Gardner, which will be using the data from aerial and ground surveys to build up a detailed map of the heat leaks from pipes, valves, and roofs.

● Britain's lighting bill could be reduced by over £60m. a year through better use of existing lights and the installation of more efficient systems, Dr. John Cunningham, Under-Secretary for Energy, said yesterday.

Bank permission made $ premium fraud possible

FINANCIAL TIMES REPORTER

THE ALLEGED role played by a Bank of England official in a big dollar premium fraud plot was outlined at the Old Bailey yesterday when six men denied investment currency offences.

The official is John Martin Wales, 42, of Hunt Mead Close, Chislehurst, who is accused with five others of conspiring to obtain money dishonestly from authorised dealers in investment currency between August 1, 1975, and April 30, 1976.

The other defendants, who also deny the charges, are Adrian James, 32, solicitor, of Bray, Berks, Leonard Ash, 39, panel-beater of Normanton on the Wolds, Notts, Alfred Taylor, 61, builder of Kensington, John Robson, 57, commodity trader of Hutton, Essex, and Reginald Atkins, 50, company director of Solihull Warwickshire.

Mr. D. Tudor Price, prosecuting counsel, claimed that Mr. Wales, who is presently suspended from his duties in the Exchange Control department at the Bank of England, had provided a blanket authorisation in 1975-76 for the dollar premium entitlement of certain foreign securities put forward by the plotters which virtually gave them "a licence to print money." But the securities were non-existent and in the names of fictitious people, counsel added.

Conspirators

If the schemes had succeeded, they would have provided a profit to those taking part of more than £1m. at public expense. However, they fell through for various reasons.

Funds ranging from £2.5m. to £20m. were allegedly being sought by some of the conspirators to finance the schemes to get unauthorised dollar premium rebates. Later, sums as high as £60m. seemed to become part of their aspirations.

But in the end, despite efforts in London, the U.S. and elsewhere, they could not get enough funds to finance their schemes. Additionally, one of the accused men, Alfred Taylor, had tipped off Scotland Yard early in 1976 about the potential fraud, and the Chase Manhattan Bank became suspicious about another proposed currency transaction in April 1976 and had contacted the Bank of England.

From March 1976, watch was kept on Mr. Wales, and he was seen to meet two of the people involved in the alleged plot at the Waldorf Hotel.

King of Colonia

He was alleged to have provided vital help in November 1975, when he opened a file in the Bank of England's Exchange Control Department on a man called Keith James Gardien, who is supposed to live in Aldreney. But the name was entirely fictitious and had been supplied by Mr. Leonard Ash and another man, colloquially known to associates as "the King of Colonia" because he owned some Pacific Islands with the help of an accomplice.

Later, the name of a further fictitious holder of foreign securities, Mr. Michael Reed, was given to Mr. Wales through a solicitor's office and he was dealing with his affairs when the Treasury became suspicious and interviewed him.

Mr. Tudor Price alleged: "Mr. Wales was an essential party to the schemes because he was able to ensure that no errors were committed. He provided a safety net for the conspirators because he opened files to meet their needs. At times they spok of him as "our man in the Bank of England, who has been straightened out."

"The stakes were high, as the amount the conspirators planned to put through the Exchange Control system varied from £2.5m. to £20m. and as much as £60m. was later mentioned.

The hearing continues to-day.

Manager[s] urge £2.5bn. tax cuts

By David Freud

THE BRITISH Institute of [...]agement yesterday publishe[d] full details of Budget ta[x] recommendations made t[o] Chancellor in February.

The institute urges a £[...] reduction in personal ta[x] over the full year, com[...] with the £3.6bn. put forw[ard] the CBI's revised Budget [...] sentations earlier this wee[k].

Sir Derek Ezra, chairm[an] the Institute, which claims [...] present more than 250,000 [...]agers, said the proposed [...] cut was the right amou[nt] stimulate the economy [...] causing inflationary and b[...] of payments problems.

The recommendations [...] institute—published at th[e] of the meeting with the [...]cellor—were for a cut [...] basic rate of tax from 34 [...] per cent., a reduction of [...] marginal rate from 83 to [...] cent. and increases in th[e] value of higher rate thres[holds].

Sir Derek said that th[...] could probably be a[...] without increases in [...] taxes, but if they could n[...] should be accom[...] through increases in du[ty on] alcohol, tobacco and petr[ol].

Because managers and [...] professional groups hav[e been] hit hardest, according [...] institute, it pressed f[or] changes that made a [...] contribution to the res[toration] of differentials.

The institute estimate[s] reducing the basic rate o[f] 30 per cent. would cos[t] while the other two m[...] would absorb the re[...] £0.5bn. in roughly equal [...]tions.

These reductions [...] increase the take-home [...] middle managers earnin[g] £7-8,000 by 5 per cen[t] senior managers on £[...] by 11 per cent. This c[...] with 4 per cent. for a w[...] average wages.

White Paper proposes unified structure for electricity supply

BY ROY HODSON

THE PRESENT structure of the electricity supply industry for England and Wales would be unified under proposals contained in a Government White Paper* published yesterday. The Electricity Council would be replaced by a new statutory body called the Electricity Corporation.

The new corporation would be responsible to the Energy Secretary for the running of the industry. Subsidiary boards corresponding to the present Central Electricity Generating Board and the 12 area electricity boards would be established within the new corporation.

The White Paper basically consists of the draft clauses of the recently-prepared Bill for the reorganisation of the industry. The Government had to drop the Bill because of the refusal of the Parliamentary Liberal Party to support its passage through Parliament.

New powers proposed for the industry in the White Paper include:

● Power to manufacture and sell electrical plant or fittings and the by-products of electricity generation.

● The right to search for, and extract, any mineral except coal and petroleum which is used in the generation of electricity. That power is clearly directed towards the proposed corporation engaging in uranium exploration and extraction as a raw material source for the growing nuclear power programme.

The White Paper states that the Bill was drafted to meet certain Government objectives for the industry, namely:—

● That the Government accepts the need for a new unified statutory framework which promotes more effective policy-making for the industry as a whole.

● There must be safeguards against over-centralisation and the industry must continue to be fully responsive to consumers' needs at local level. To emphasise that point the White Paper proposes that the Energy Secretary should continue to appoint the leaders of the industry by having the powers to appoint the chairman and members of the Electricity Corporation, and that he should also continue to appoint the members of the subsidiary generating and area Boards.

● The industry should pay due regard to wider national objectives and its social responsibilities.

Democracy

Other principal duties proposed for the corporation are:—to devolve maximum managerial responsibility to the Boards; to avoid undue preference in supplying electricity; to have regard to the needs of consumers; to promote the simplification and standardisation of methods of charging and standardisation of systems of electricity supply and fittings; to promote industrial democracy; to consider the effects of purchasing and manufacturing policies upon suppliers to the industry; to carry out research and development; to promote the efficient and economical use of energy and to make available as fully as practicable without breaching confidentiality information about its policies.

It is proposed to keep the names of the area Boards which are well known to consumers. The White Paper suggests that this would "give continuity to consumers at the local level and lessen the impact of the change upon them." But the proposed corporation would be responsible for determining strategic policies for the industry as a whole.

It is also proposed that the detailed structure of the reformed industry u[nder the] Electricity Corporation [...] be settled by forms of s[...] legislation in order [...] flexibility to change th[e indus]try's organisation as [...] energy; and to make ava[...] stances change. That [...] achieved by giving the [...] Secretary powers to mak[e ...]mentary Orders to pres[...] organisation of the ind[ustry at] any point in time.

Many of the Govern[ment pro]posals now contained [...] White Paper follow f[...] report on the Plowd[en Com]mittee on the electricity [...] which reported in Janu[ary] that far-reaching change[s in the] organisation of the ind[ustry in] England and Wales were [...]

Mr. Anthony Wedgwo[od Benn,] the Energy Secretary, [...]terday when he discu[ssed the] White Paper that, af[ter] consultations with man[agement] and unions, its contents [...] goodwill of the industr[y].

The White Paper r[...] strong current of op[inion in] favour of change f[rom the] present fragmented str[ucture of] the industry to a unific[...]sation.

Flexibility

It goes on: "The Go[vernment] accepts the need for [a frame]work which promote[s more] effective policy-making [for the] industry as a whole. [...] believes, however, th[at it is] important to retain the [...] which will allow the [...]tional structure to e[...] provide for safeguards [against] over-centralisation, and [...] that the industry contin[ues to be] fully responsive to co[nsumers'] needs at the local leve[l].

The reorganised ind[ustry] proposed, would also ha[ve] duties to consumers [...] general public. The E[lectricity] Consumers' Council for [England] and Wales would be es[tablished] on a statutory basis and [...] man would be a memb[er of the] Electricity Corporatio[n ...] intended that the [...] organisation of the E[...] Consumers' Council w[...] established by Parli[amentary] Order in the same wa[y as the] industry's organisation, [...] after consulting the exis[ting Con]sultative Councils.

The Select Commi[ttee on] Nationalised Industri[es ...] decided to start a majo[r ...] this month into the e[lectricity] supply industry. The c[...] will be undertaking a [...] pre-legislative hearings [...] draft Bill as it is set o[ut in the] White Paper. Mr. [...] welcomed the committ[ee's deci]sion yesterday. He sa[id ...] investigation will provi[de ...] opportunity for a Go[vernment] Bill to be subjected to [...] scrutiny by MPs free [...] political pressures a[...] with legislation."

The report from the [...] committee could be [...] before the Bill is intro[duced in] the House. The committ[ee will be] examining Mr. Benn, hi[s ...] the management of the [...] the unions, and electri[...] sumers, with a view to [...] the value of the Bill's [...]

* Re-Organisation of th[e Electri]city supply industry in [England] and Wales. Cmnd 7134. [...]

London Clearing Banks' balances

as at March 15, 1978

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. Tables 1, 2 and 3 are prepared by the London clearing banks. Tables 1 and 2 cover the business of their offices and their subsidiaries (excluding Scottish and Northern Ireland banks) in England and Wales, the Channel Islands and the Isle of Man which are listed by the Bank of England as falling within the banking sector. Table 3 covers the parent banks only. In this, it is comparable with the figures produced by the Bank of England, which show the reserve positions of all the banking sectors subject to credit control. Minor differences here arise from the exclusion from the clearing bank figures of Coutts, a subsidiary of National Westminster but a clearing bank in its own right.

TABLE 1. AGGREGATE BALANCES

	Total outstanding £m.	£m.	Change on month £m.	£m.
LIABILITIES				
Sterling deposits:				
U.K. banking sector	4,239		−239	
U.K. public sector	25,261		+372	
U.K. private sector	556		−129	
Overseas residents	2,209		+107	
Certificates of deposit	2,359		− 20	
		34,625		+ 91
of which: Sight		14,476		+262
Time (inc. CD's)		20,149		−171
Foreign currency deposits:				
U.K. banking sector	3,596		+148	
Other U.K. residents	894		− 13	
Overseas residents	10,352		+114	
Certificates of deposit	1,084		− 3	
		15,926		+246
Total deposits		50,551		+337
Other liabilities*		8,587		+510
TOTAL LIABILITIES		59,138		+847
ASSETS				
Sterling				
Cash and balances with Bank of England		990		−106
Market loans:				
Discount market	2,104		−219	
U.K. banks	4,980		− 56	
Certificates of deposit	884		− 78	
Local authorities	1,277		+ 99	
Other	441		− 81	
		9,687		−335
Bills:				
Treasury bills	202		+ 21	
Other bills	911		+ 14	
		1,113		+ 35
Special deposits with Bank of England		822		+ 11
Investments:				
British Government stocks	2,241		+143	
Other	1,424		+325	
		3,664		+469
Advances:				
U.K. private sector	17,732		+ 79	
U.K. public sector	150		—	
Overseas residents	3,034		+154	
		20,916		+232
Other sterling assets*		5,086		+222
Foreign currencies				
Market loans:				
U.K. banks and discount market	3,330		+222	
Certificates of deposit	302		+ 13	
Other	6,551		− 13	
		10,183		+222
Bills		50		+ 3
Advances:				
U.K. private sector	1,912		+ 43	
U.K. public sector	1,095		− 34	
Overseas residents	2,865		+ 80	
		5,872		+ 89
Other foreign currency assets*		756		+ 6
TOTAL ASSETS		59,138		+847
Acceptances		296		+ 7

* Includes items in suspense and in transit.

TABLE 2. INDIVIDUAL GROUPS OF BANKS' BALANCES

	TOTAL Outstanding £m.	TOTAL Change on month £m.	BARCLAYS Outstanding £m.	BARCLAYS Change on month £m.	LLOYDS Outstanding £m.	LLOYDS Change on month £m.	MIDLAND Outstanding £m.	MIDLAND Change on month £m.	NATIONAL WESTMINSTER Outstanding £m.	NATIONAL WESTMINSTER Change on month £m.	WILLIAMS & GLYN'S Outstanding £m.	WILLIAMS & GLYN'S Change on month £m.
LIABILITIES												
Total deposits	50,551	+337	13,928	+ 48	9,362	− 4	10,612	+163	15,043	+206	1,614	− 75
ASSETS												
Cash and balances with Bank of England	990	−106	297	− 35	179	− 20	191	− 45	284	− 8	39	+ 2
Market loans:												
U.K. banks and discount market	10,414	− 53	2,629	− 46	2,360	+ 3	1,812	+ 68	3,359	− 47	254	− 30
Other	9,455	− 61	2,582	+ 56	2,380	− 37	1,581	+ 39	2,607	− 90	306	− 28
Bills	1,163	+ 38	228	− 32	118	− 2	381	− 36	416	+111	19	− 3
Special deposits with Bank of England	822	+ 11	253	—	117	—	183	+ 5	241	+ 5	27	—
British Government stocks	2,241	+143	510	+ 20	437	+ 5	365	+ 21	784	+131	145	− 34
Advances	26,787	+322	7,856	+ 10	3,997	+ 28	6,230	+192	7,793	+ 72	911	+ 18

TABLE 3. CREDIT CONTROL INFORMATION (Parent banks only)

	TOTAL Outstanding £m.	TOTAL Change on month £m.	BARCLAYS Outstanding £m.	BARCLAYS Change on month £m.	LLOYDS Outstanding £m.	LLOYDS Change on month £m.	MIDLAND Outstanding £m.	MIDLAND Change on month £m.	NATIONAL WESTMINSTER Outstanding £m.	NATIONAL WESTMINSTER Change on month £m.	WILLIAMS & GLYN'S Outstanding £m.	WILLIAMS & GLYN'S Change on month £m.
Eligible liabilities	23,822	+176	7,286	+ 39	3,490	− 1	5,811	+ 78	6,414	+128	820	− 69
Reserve assets	3,141	+ 94	937	− 1	441	+ 1	764	+ 33	882	+ 63	116	− 2
Reserve ratio (%)	13.2	+ 0.3	12.9	—	12.6	—	13.2	+ 0.4	13.8	+ 0.8	14.2	+ 0.9

Banking figures

(as table 9 in Bank of England Quarterly Bulletin)
ELIGIBLE LIABILITIES, RESERVE ASSETS, RESERVE RATIOS, AND SPECIAL DEPOSITS

1—Banks	March 15, 1978 £m.	Change on month £m.
Eligible liabilities		
U.K. banks		
London clearing banks	23,963	+174
Scottish clearing banks	2,613	+ 7
Northern Ireland banks	819	− 5
Accepting houses	1,869	+ 11
Other	6,172	− 29
Overseas banks		
American banks	3,911	+ 99
Japanese banks	240	+ 9
Other overseas banks	2,783	+ 90
Consortium banks	203	− 7
Total eligible liabilities*	42,575	+352
Reserve assets		
U.K. banks		
London clearing banks	3,160	+ 91
Scottish clearing banks	353	+ 5
Northern Ireland banks	116	+ 1
Accepting houses	300	− 36
Other	863	− 31
Overseas banks		
American banks	620	+ 51
Japanese banks	36	—
Other overseas banks	517	+ 24
Consortium banks	51	− 3
Total reserve assets	6,016	+102
Constitution of total reserve assets		
Balances with Bank of England	266	−114
Money at call:		
Discount market	3,373	−274
Other	249	+ 14
Tax reserve certificates	—	—
U.K., Northern Ireland Treasury Bills	718	− 4
Other bills:		
Local authority	88	+ 31
Commercial	726	+ 32
British Government stocks with one year or less to final maturity	596	+417
Other	—	—
Total reserve assets	6,016	+102
Ratios %		
U.K. banks		
London clearing banks	13.2	+ 0.3
Scottish clearing banks	13.5	+ 0.2
Northern Ireland banks	14.1	+ 0.1
Accepting houses	16.1	− 2.0
Other	14.0	− 0.4
Overseas banks		
American banks	15.9	+ 1.0
Japanese banks	14.9	− 0.5
Other overseas banks	18.6	+ 0.3
Consortium banks	25.2	− 0.4
Combined ratio	14.1	+ 0.1
	£m.	£m.
N.B.—Government stock holdings with more than one year but less than 18 months to final maturity amounted to	41	−483
2—Finance houses		
Eligible liabilities	333	− 5
Reserve assets	34.9	− 0.1
Ratio (%)	10.5	+ 0.1

Special deposits at March 15 were £1,235m. (up £16m.) for banks and £10m. (unchanged) for finance houses. * Interest-bearing eligible liabilities were £28,700m. (up £84m.).

هكذا من الأصل

LABOUR NEWS

Leyland workforce urged to oppose new incentive scheme

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

SHOP FLOOR opposition is mounting to the proposed new incentive scheme for Leyland Cars. Stewards have urged the 20,000 workers at Longbridge, Birmingham, to reject the deal, which they describe as "bogus."

Some 7,000 workers at the Rover plant, Solihull, have voted by a show of hands to oppose the scheme, which offers the prospect of an £8-a-week bonus. At Castle Bromwich, Birmingham, the 500 toolmakers have been recommended by their stewards to boycott the ballot, now under way.

The company, after failing to reach agreement with the trade unions, decided to put the issue, of whether the scheme should be given a six-months' trial period, to a postal ballot of the 100,000-strong workforce.

Voting ends to-morrow and the results may be announced on Friday.

The company sees the self-financing incentive scheme as an important first step towards raising Leyland's lagging productivity levels to that of European competitors.

The unions complain that, because the bonus is based upon overall plant performance, workers will see no relationship between individual effort and earnings.

Shop stewards are also anxious to retain mutuality—the right to determine with management the speed and manning levels of the track.

There are fears that any productivity gains will result in more redundancies, in addition to the 12,500 cut in the labour force that Mr. Michael Edwardes, British Leyland chairman, has said will be necessary this year.

Mr. Grenville Hawley, the Transport and General Workers' Union national secretary for the automotive industry, said: "We are not going to create a redundancy situation just to put in a nebulous incentive scheme."

● At Chrysler, Coventry, there are hopes that the 4,000 workers at the Stoke engine plant will be recalled to-morrow. The 70 fork-lift truck drivers, on strike since Monday, will vote to-day on a peace formula hammered out by management and unions yesterday. The dispute centres on disciplinary action against two shop stewards.

Singer chiefs to hold talks on U.K. factory

SENIOR executives of the Singer Company, in New York, are to hold talks later this year with the Prime Minister and other Ministers about the future of the firm's Clydebank sewing machine factory in Scotland which employs 5,000 workers.

Mr. Joe Flavin, president and chief executive of the U.S. company, is to visit the U.K. in June, after Singer has completed a world-wide sourcing survey of their future manufacturing requirements.

After a meeting yesterday in a London hotel between Clydebank shop stewards, union officials and Mr. Ed Keehn, Singer's president of European operations, a joint statement said the discussions with Ministers would involve possible options for the plant as formulated by the survey.

Mr. Keehn added that he was confident the Clydebank factory would continue to have a place in Singer's world-wide thinking for the future.

Mr. John McFadyen, Clydebank stewards convener, said that there was no immediate threat to jobs at the plant.

"We are really looking to the future. We want Singers to invest in Clydebank and we want them, if necessary, to go to the Government for the cash."

Rumours about the future of the plant, which manufactures both domestic and industrial machines mainly for export, have abounded since last year in the Clydebank area, where Singers are the main employer.

But the company insisted it could not give any detailed information until the sourcing survey was complete.

Already, production of some types of machine is being phased out at Clydebank, with a loss of 150 jobs by the end of next month.

● MINERS in Nottinghamshire have been urged to strike over plans to close down Teversal Colliery. The call to the 1,000 miners was made by the National Union of Mineworkers' area executive after Mr. Anthony Wedgwood Benn, the Energy Secretary, said in a letter that he was not prepared to intervene over the Coal Board's proposal to close the pit in 1981.

Rolls-Royce dispute closes plant

By Philip Bassett

THE ROLLS-ROYCE aero engine factory at Ansty, Coventry, was closed down yesterday when 350 staff were sent home to join the 1,400 manual staff laid off because of a pay dispute.

The total number laid off at Ansty and Rolls-Royce's other aero plant at nearby Parkside, where manual workers are sitting in, is now nearly 6,500.

But 1,700 staff in the industrial and marine division at Ansty, who can work without the manual workers, are expected to turn up to-day.

Informal talks between shop stewards, full-time union officials and Rolls-Royce management have been arranged for to-morrow. The dispute is over the timing of a small percentage of a 10 per cent. annual wage award.

● SIXTY tugboatmen yesterday accepted a 17 per cent. pay rise and cleared the way for the opening of Britain's newest port. The men have boycoted the new £38m. Royal Portbury dock at Bristol for two months in pursuit of a 27 per cent. pay increase.

Major talks on railmen's pay likely to be delayed

By Pauline Clark, Labour Staff

NEGOTIATIONS on a pay deal for some 200,000 railwaymen are expected to be further delayed to-day, while unions and management concentrate on plans to solve the relatively minor inter-union dispute over bonus payments to train guards.

A British Rail Board spokesman said yesterday that this would almost certainly delay further the tabling of a firm pay offer to more than 200,000 employees, although unions and management were planning to discuss pay and productivity before the implications of an investigation of the dispute under Lord McCarthy were tackled.

The train drivers' union, ASLEF says that it will agree to an examination by the industry's negotiating machinery of what it describes as a "sectional" pay deal for train guards in the National Union of Railwaymen, as suggested by the McCarthy advisory panel.

But it has yet to agree with the NUR on when the examination should take place and the prospect of industrial action over the issue remains.

Leaders of the NUR are placing priority on achieving an annual settlement due on April 24 and have opposed the train drivers' attempts to have the bonus issue dealt with first.

The forthcoming national pay offer is said to have undergone "some manoeuvering" of the figures following the eruption of the row over the bonuses.

The Board has been working on an offer within the Government's 10 per cent. guidelines which includes a productivity arrangement to yield an extra £3.50 a week.

This would be dependent, however, on unions' co-operating with further manning reductions and changes in work practices. It seems unlikely that the Board's proposed formula for working out productivity will be left unchallenged by the unions.

The formula, known as the Business Performance Index, would be based on measuring the number of hours worked by railwaymen against total passenger and freight miles achieved by the railways.

● The unofficial three-day-old strike which has brought British Rail engineering workshops at Doncaster to a standstill spread to York yesterday. Some 2,400 shop floor workers walked out in support of their colleagues after a mass meeting, following picketing by the Doncaster strikers, protesting about the management sending home a colleague.

Banks' union to stay in insurance field

BY NICK GARNETT, LABOUR STAFF

THE National Union of Bank Employees yesterday committed itself to further incursions into the insurance industry, in defiance of the wishes of the TUC leadership.

The union's annual general conference overwhelmingly defeated a motion calling for the withdrawal of its representation in insurance companies and building societies to concentrate in banking.

The union's executive sees the vote as a mandate to step up recruitment in insurance, an area which Mr. Clive Jenkins' Association of Scientific, Technical and Managerial Staffs considers its own.

Mr. Len Murray, TUC general secretary, told the union's delegates three days ago that it would be better for the trade union movement if the association stayed out of banking and the bank employees' union out of insurance.

Mr. Leif Mills, general secretary of the National Union of Bank Employees, told delegates yesterday that the union was not seeking confrontation, but would not be "pushed around" by anyone outside the union.

He also gave notice that the union would be mounting a campaign of recruitment in insurance and elsewhere.

Mr. Bob Carleton, an executive member, issued a veiled warning that unless the union maintained and consolidated its presence in insurance, it would face being "gobbled up" by the association.

Meanwhile, the bank employees' union has negotiated profit-sharing schemes worth about 4 per cent. at Midland and Lloyds banks, and intends securing similar productivity payments within the rest of the English clearing banks. Recently-negotiated deals in the Scottish banks include 4 per cent. productivity payments.

The union's executive was instructed to press for a reduction in the banks' house purchase loan interest rates for employees from 5 per cent. to 2½ per cent.

● Twelve managers' associations in leading insurance companies have formed the Confederation of Insurance Managers' Associations. The confederations aims are to collect information concerning the employment of managers in insurance companies, to represent the views of the member associations to other bodies, and to offer guidance to member associations in dealings with their executive managements on aspects of employment.

Lorry owners hit at British Rail

BY OUR TRANSPORT CORRESPONDENT

THE ROAD Haulage Association yesterday joined the dispute over the Government's decision to restore British Rail's right to engage in commercial road haulage operations.

Mr. George Newman, the association's director-general, said in a letter to Mr. William Rodgers, the Transport Secretary, that the result would be still more overcapacity in road haulage.

Furthermore, British Rail's usage of "marginal costing" would depress haulage rates and, because the services would run at a loss, inevitably become a burden on the taxpayer.

The Government's decision to restore powers lost by British Rail in the 1968 Transport Act has come in an amendment to the Transport Bill now before Parliament.

This amendment is designed, the Government says, simply to allow the Freightliners road and rail container carrying company which the Bill restores to British Rail ownership, to continue its present operations unhindered by the law.

The association's worry is that British Rail will take adanvtage of the phrasing of the amendment to take a much wider role in road transport.

The amendment gives British Rail the freedom, where "it appears expedient" to use its vehicles "for the carriage by road of goods of any description" and the ability to carry out a contract for rail carriage using road vehicles if necessary.

Although the amendment clearly gives British Rail wide powers, the nature of the Freightliners business does involve use of road trunking vehicles in, for example, places where rail facilities are not suitable. Without the amendment, it would not be able to meet all of its existing commitments.

Road and rail unions have also expressed anxiety about the amendment.

APPOINTMENTS

New chairman for Mitchell Cotts

Mr. P. P. Dunkley, deputy chairman and managing director of Mitchell Cotts Group, has been appointed chairman and managing director in place of Mr. J. K. Dick, who has retired. Mr. Dick will continue his other business activities from Hume Holdings, of which he is chairman.

★

Mr. William Kenyon, a director of BARKER AND DOBSON, has been made chief executive of the company.

★

Mr. R. H. Soames has been appointed chairman and Mr. J. W. Stokes, managing director, of WATNEYS SOUTHERN in place of Mr. D. P. Johnson, who has left the group. Mr. Soames remains as chairman and managing director of Watneys London. Mr. Stokes was formerly deputy managing director of Norwich Brewery.

★

Mr. Robert Brook, chief executive of NATIONAL BUS COMPANY, has been appointed to the new post of deputy chairman of the group.

★

Mr. B. L. Hemming, chief executive of Pritex (Plastics), has been appointed to the Board of the parent company, RELYON PBWS.

★

Mr. E. John Baden has been appointed managing director and chief executive of the ITALIAN INTERNATIONAL BANK from June 30. Dr. Mario Perricone, who has been on secondment to the bank as deputy chief executive, is returning to the BANCO DI SICILIA to take up another position.

★

Brigadier S. v. B. Theron has become chairman of Hawker Siddeley Electric Africa (Pty.), Hawker Siddeley Africa (Machines) (Pty.), Hawker Siddeley Africa (Power) (Pty.), Hawker Siddeley Africa (Switchgear) (Pty.) and Hawker Siddeley (Transformers) (Pty.), succeeding Mr. R. R. Kenderdine, who has retired.

★

Mr. A. I. S. McKiddie has been appointed assistant general manager with the WOOLWICH EQUITABLE SOCIETY and will specialise in personnel matters.

★

Mr. R. S. Hackett has been appointed assistant director (engineering planning) at BRITISH GAS headquarters. He has been engineering planning manager since 1970.

★

Mr. E. C. Edghill, at present an associated member of BUCKMASTER AND MOORE, stockbrokers, will join the partnership on April 14.

★

Mr. Frank Brown has become general manager of FIRTH BROWN. Mr. Brown was director of development at Firth-Vickers Special Steels and was previously with Shepcote Lane Rolling Mills.

★

Mr. R. D. Gee has been appointed chairman of DREXEL BURNHAM LAMBERT, the London-based affiliate of the Drexel Burnham Lambert Group, and vice-president of Drexel Burnham Lambert Incorporated. Mr. Gee had been chairman and chief executive officer of Ametalco Trading and managing director of Amax International, both units of Amax Corporation.

★

Mr. Bryan J. White has been appointed company secretary of SLEEPEEZEE and subsidiaries.

★

Mr. Neil MacGregor has been appointed a director of GUY BUTLER AND CO. (JERSEY), a member of the Butler Till and Guy Butler (International) broking group. Mr. Gerry Wilton has been made a manager of Butler Till.

★

Mr. John P. Harrison has been appointed director of the KNITTING INDUSTRIES' FEDERATION. He succeeds Mr. Alan Kershaw, who has retired.

★

Mr. Eric Bond has been appointed executive director (production) of EDGAR VAUGHAN AND CO. and Mr. George Clayton has become technical representative.

★

Mr. W. B. Lauder has retired as a director of CARRINGTON VIYELLA GROUP.

★

Mr. Peter Hill, sales division manager, has joined the Board of TUNNEL REFINERIES. Dr. Trevor Palmer has been made technical director on the Board.

★

Mr. J. B. Mays has been appointed to the Board of GLANVILL ENTHOVEN (MARINE), part of the Charterhouse Group.

★

Mr. I. M. Jack, managing director of British Transport Hotels, has been appointed a member of the governing council of the CITY AND GUILDS OF LONDON INSTITUTE to represent the interests of the hotel and catering industry.

★

Mr. Alec Sharp has been appointed to the Board of ENNIA INSURANCE COMPANY (U.K.).

★

Mr. J. B. MacKirdy has been appointed managing director of VINTEN GROUP and relinquishes his position as managing director of W. Vinten, but remains on the Board of that company. Mr. A. R. MacMath has become managing director of W. Vinten.

★

Mr. Ian S. Gordon has been appointed a director and Mr. John D. Knight assistant director of MANSON BYNG (REINSURANCE BROKERS).

★

Mr. E. H. E. Davenport retires from HESELTINE MOSS AND CO., stockbrokers, on April 14. Mr. R. A. Corbin, who has been with the firm since 1958, joins the partnership in the London office on April 17.

★

Mr. Alan Orr has been appointed company secretary of AMEY ROADSTONE CONSTRUCTION.

Neutron bomb policy unclear

THE PRIME MINISTER yesterday declined to confirm or deny a report that Britain had agreed to deploy the American neutron bomb in the U.K.

In a brief reply, Mr. Callaghan said that he could not accept responsibility for reports on ITN, the BBC, or in newspapers.

"As regards the neutron bomb, it is a question of weighing the very substantial political disadvantages against whatever military advantage may be presumed to exist," he added.

But he told Labour backbenchers that he would be grateful if they did not press him any further on the matter at present.

Tory peers ponder what's in a name

BY IVOR OWEN, PARLIAMENTARY STAFF

TORY PEERS flexed their muscles last night at the start of the Committee stage of the Scotland Bill, with Earl Ferrers, Deputy Leader of the Opposition in the Lords, warning the heavily outnumbered Government ranks to avoid unnecessary confrontation.

He issued this cautionary injunction before peers had even begun to discuss the first major amendment which—with all-party and crossbench support—seeks to base elections to the Scottish Assembly on the additional member system of proportional representation.

Lord Ferrers, backed by cheers from the Tory benches, claimed that the attitude taken by the Government in resisting an early amendment, which urged that the title of the new legislative body should be changed from the Scottish Assembly to the Scottish Convention, was a bad augury.

Led by the Earl of Selkirk, a former Tory Minister Opposition peers argued that without such a change the new body would be confused with the long-established and authoritative General Assembly of the Church of Scotland.

Lord McCluskey, Solicitor-General for Scotland, maintained that there was no possibility of confusion. Supporters of the amendment, he insisted, had relied on a shadow argument with no real substance.

Shadowy

To abandon suddenly the title of assembly, which was central to the whole concept of the Government's devolution proposals, would lead people to think that the House of Lords had gone mad.

Lord McCluskey suggested that in spite of the shadowy nature of the arguments used in support of the amendment, its incorporation in the Bill might lead some people in Scotland to think that they had been robbed of some of the substance of the measure as well.

Lord Ferrers protested at the Minister's hard line attitude and the Government's uncompromising stand against an amendment which he regarded as being non-party and non-political in character.

He said it boded ill for the remainder of the committee stage, particularly the 60 clauses which had not been discussed at all during the early proceedings in the Commons.

Lord McCluskey stressed that the Government had already given careful consideration to all the arguments which peers had used against the title Scottish Assembly, and had also discussed the matter with representatives of the General Assembly of the Church of Scotland.

But, in more conciliatory mood, he promised that they would be considered again, and this undertaking led Lord Selkirk to withdraw the amendment.

Six to contest Glasgow seat

By Ray Perman, Scottish Correspondent

NOMINATIONS closed yesterday for the Garscadden, Glasgow, by-election on April 13. Six candidates are standing.

The poll was caused by the death of Mr. William Small (Lab), who had a majority of 7,626 over the Scottish National Party. The new Labour candidate, Mr. Donald Dewar, 40, a member of the Scottish executive of the Labour Party, was MP for Aberdeen South from 1966 to 1970.

The SNP candidate is Mr. Keith Bovey, 50, and Mr. Iain Lawson, 25, is fighting the seat for the Conservatives. The Communist candidate is Mr. Sammy Barr, a boilermakers' shop steward at the Scotstoun Marine shipyard.

Two parties are fighting the election as their first Parliamentary contest. Mrs. Shiona Farrell, a lawyer, working as an immigration counsellor is standing for the breakaway Scottish Labour Party and Mr. Peter Porteous is the Socialist Workers' Party candidate.

Candidates start campaign in Lambeth Central

BY RUPERT CORNWELL, LOBBY STAFF

CANDIDATES of the three major parties fighting the April 20 by-election began their formal campaigning yesterday in Lambeth Central, the South London seat where race and immigration are certain to be prominent issues.

Defending for Labour the seat made vacant by the death of Mr. Marcus Lipton, the popular veteran MP who had represented the constituency for 33 years, is Mr. John Tilley, a Fleet Street journalist, who has been party leader on Wandsworth Council.

The Tory candidate is Mr. Jeremy Hanley, a 32-year-old lecturer in taxation and law. Although the Conservatives should improve their showing of October, 1974, when they secured 26 per cent. of the poll, the swing is unlikely to be enough to reverse a Labour majority of 8,677.

Mr. Hanley backs the idea of a quota and a register of immigrants' dependants, which is expected to be a key plank of the Conservatives' race strategy to be unveiled later this week. He also declared himself yesterday a "hawk" on law and order.

Particular attention will focus on the Liberals' campaign, and Mr. David Blunt, a lawyer and local resident, will be trying to hang on to the 12.5 per cent. the Liberals won in 1974, and to beat the National Front firmly into fourth place.

To maintain its share of the vote in the present depressed state of Liberal fortunes would be an achievement. But the party is pinning its hopes on the highly efficient organisation it already possesses in Lambeth.

Mr. Blunt, backed at a Press conference by Mr. David Steel, the Liberal leader, said yesterday that the main issue of the campaign would be housing and social problems, which lay behind the "smokescreen" of discussions of numbers of immigrants.

Contrary to the general impression, race relations in Lambeth—in spite of its immigrant community of 25 per cent.—were not at "fever heat," he said. Liberals hope to be able to persuade the near-50 per cent. of electors who did not vote at the last general election to do so this time.

Mr. Blunt has been boosted by the decision of one West Indian group not to field a separate candidate but to endorse him.

Nonetheless, of the nine candidates who have already announced they will stand, two are blacks. Mr. Tony Bogues, a 26-year-old journalist, will run for the Socialist Workers' Party, while Mr. John Chase is the Socialist Unity candidate.

For the National Front, Mrs. Helena Steven will be fighting the seat. So far, the Front has been conducting a very low-key campaign. Marches in Lambeth are illegal, under the two-month ban imposed by the police on political demonstrations in the London area, which expires on April 24.

Jim and Maggie script problem

BY PHILIP RAWSTORNE

"THE PRIME Minister ... his feet again . . ." BBC's ... panted excitedly.

"He's trying to take the steam out of it," ... smilingly commented.

Prime Minister's ... Time, on the air for the ... from the Commons ... varied between sounding ... heavy-weight boxing ch... ship or a domestic ... comedy.

But if the casual listen... have had doubts, the ca... show certainly knew w... were doing.

Seventeen minutes on ... was enough to transfor... Minister's Question Time ... another party political b...

The Jim and Maggie ... political advertising ... presenting, in twic... episodes, a dozen part... with every fact.

Without a script, it wa... difficult to follow that ... Blaker's opening deman... dismissal of Mr. David ... Social Services Secret... really directed against S... Wilson's handling o... aspects of the Norm... affair.

But Mr. Joe Ashto... Bassetlaw), used the op... to publicise the Gove... payment of increase... benefits this month.

"My wife thinks he ... a marvellous job," Mr. ... added, raising Mr. ... popularity rating.

On BBC, the sparr... tinued with Mr. Robe... challenging the Prime ... to deplore the NUR's a... railwaymen who ... National Front.

Mr. Callaghan patted ... silence but showed som... stage fright as Mr. Tom ... a Labour left-winger, r... question of the neutro...

Calm? The Prime ... reflected on his feelin... rather like being a swa... top but paddling like h... neath." He said that ... rather not be presse... neutron bomb.

And miscueing her ... Mrs. Margaret Thatcher ... him instead to exp... Britain's unemploym... worse than its indus... petitors after four ... Labour Government.

It wasn't, Mr. ... replied at length, befo... ing attention to ne... Budget.

The Tory leader, con... be persistent without ... again demanded an e... of the unemployment f...

Canada and Italy ... worse plight, the Prim... retorted, but he was ... utmost to achieve ... international action to ... the general recession.

And, of course, th... next week would help ...

Amid a noise that ... threaten political viol... Thatcher countered a ... to level the score on ... they say.

The Tory leader ... satisfied glances with h... Mr. William Whitelaw ...

"She obviously thr... got through the Prime ... guard," said the comm...

Mr. Callaghan mop... few complaints from ... Emery about the runn... House.

And the scriptwr... doubt, went to prepare ... gripping episode.

● Lady Plowden, cha... the Independent Br... Authority, called for ... "the BBC monopoly of ... reporting of Parliam... certain areas not serv... dependent Local Radio ...

Her statement, issu... day as the Parliament... casts began, said: "In... Radio News is well an... prepared and looking f... bringing debates, ques... committees from Parlia... the daily lives of m... people.

NF ban deplored

By John Hunt, Parliamentary Correspondent

THE PRIME MINISTER said yesterday that workers should not be faced with dismissal because of their political views, no matter how objectionable those views were.

Answering Commons questions, Mr. Callaghan declined to comment on the decision by the National Union of Railwaymen last week to ban members of the National Front from their union.

But he added: "I deplore utterly, and do not find it at all acceptable, that people should be dismissed from their employment because of their political views, however objectionable they may be."

Some professions, like the police, might have to be treated differently, but generally speaking, said Mr. Callaghan, "this should be the rule and I hope people will accept it."

He was replying to Mr. Robert Adley (C., Christchurch and Lymington) who had said the NUR's decision could have serious implications if the National Union of Journalists were to do the same, resulting in political censorship.

Lords 'threatened by Wales Bill'

BY OUR PARLIAMENTARY CORRESPONDENT

THE GOVERNMENT was yesterday accused by the Conservatives of try to use the Welsh devolution legislation as a back door method to limit the power of the House of Lords.

Under the terms of the Wales Bill, the Secretary of State for Wales can over-rule the Welsh Assembly if he believes that it has exceeded its powers.

His decision then has to be approved by the Commons and the Lords. But if there is a disagreement between the two House of Parliament the Commons can go ahead and confirm the decision alone.

During the Committee stage of the Bill in the Commons last night, the Tories moved an amendment which would prevent the House of Commons having sole jurisdiction in the matter. But the amendment was defeated by a majority of 25 (170-145).

Mr. Francis Pym, the Conservative devolution spokesman, accused the Government of a flight into unicameralism." The Bill would give the Commons the Commons the power to overrule the Lords if the Government thought that a decision by the peers was inconvenient.

He said that the Government attitude was "We are the masters now and we will take no notice of what the Lords decides."

This was utterly unacceptable to the Opposition, but it suited the Labour Party. He thought it was the beginning of their programme for the demolition of the House of Lords.

Mr. Pym found a remarkable lack of support for the Bill in the House and believed that the provisions allowing Westminster to override the Assembly was certain to lead to disharmony.

The Conservative amendment was strongly opposed by Mr. John Smith, the devolution Minister. He declared: "Once again, we see the Conservative Party in a last-ditch attempt to preserve for ever and a day the power of the House of Lords."

He argued that the upper House should not be in a position to block decisions

The clause in the Welsh devolution legislation requiring the Welsh Assembly to observe national pay policy, was dropped by the Government last night. This brings the Wales Bill into line with the Scottish devolution legislation.

Plea for jobless

A PLEA for special help for the 333,917 people who had been out of work for more than a year was made in the Commons yesterday.

Mr. Max Madden (Lab., Sowerby) suggested crash training or re-training courses for this category of jobless people. He said many were married men with dependent children.

Mr. Albert Booth, Employment Secretary, said about a third of the long-term unemployed were over 55. Special employment needs advisers had been appointed to look into their particular needs, especially in the field of re-training.

Mr. Dennis Skinner (Lab., Bolsover) suggested that Mr. Booth look at the Tribune Group's alternative strategy for dealing with longer-term unemployment, rather than introduce "piecemeal measures."

Mr. Booth said he was convinced there had to be policies for dealing with both short- and long-term unemployment.

Dr. Keith Hampson (C., Ripon) said he had grave doubts about the effecetiveness of the Manpower Services Commission and Training Services Agency courses in helping the long-term unemployed.

Thatcher reproof

MRS. THATCHER was yesterday accused by a Labour backbencher of "monopolising" Prime Minister's Question Time. Mr. Eric Heffer, MP for Walton, called on the Speaker to hold talks with the party leaders concerned after the Tory leader had gone to the despatch box three times in the 15 minutes set aside for questions.

Kidney campaign

A CAMPAIGN is to be launched to-day by Mr. David Ennals, Health Secretary, to make people more aware of the need for kidney transplats. The Prime Minister hoped that the campaign would ensure that transplants of kidneys after death could be made more easy.

Lorry complaint

AN MP yesterday demanded an immediate Government inquiry into ways in which Japanese lorries are entering Britain by a method which, he alleges, evades the voluntary agreement on imports. Mrs. Gwyneth Dunwoody (Lab., Crewe) claimed that firms in the Republic of Ireland were buying "knock-down Japanese lorries," which were complete but required assembly.

Roads pledge

A MORE rigorous approach to priorities within the planned investment of £300m. on trunk roads and motorways was promised yesterday by Mr. William Rodgers, Transport Secretary, who said he would give emphasis to vital industrial routes and schemes with high-environmental benefits.

Poll reveals doubts about MPs' role

BY PHILIP RAWSTORNE

FEWER THAN half of the people in the U.K. know the name of their MP, according to a poll carried out by Opinion Research Centre.

The survey, conducted for the BBC's Nationwide programme, to be broadcast to-night, reveals a similarly widespread ignorance about Parliament itself.

One elector in ten thought that a "guillotine" was a penalty last *used in 1864 for MPs persistently* absent from the Commons.

Though 52 per cent. knew what Prime Minister's Question Time was—it was broadcast on radio for the first time yesterday—one in ten again thought it was the *Queen's weekly quizzing of Mr.* Callaghan's actions.

Less than a quarter knew that the second reading of a Parliamentary Bill was a debate on its general principles.

Forty-seven per cent. thought it was the *line-by-line examination* of a Bill; and 11 per cent. believed it was a repeat of a debate for any MPs who had missed it originally.

The best result in the poll was the correct identification of a *backbencher by 63 per cent.* of those interviewed.

More than half were also familiar with the role of the Speaker, though 13 per cent. suggested he was a Member of the Government who spoke on State occasions. Another 3 per cent. believed that he was the *man in charge of the Commons* microphones.

But even if a surprisingly high proportion did not know how Parliament worked, 43 per cent. were convinced it did not work well.

The 45 per cent. satisfied with Westminster's performance was 8 per cent. fewer than in the last poll in 1966.

About a quarter knew that an MP's salary was £6,270. But other answers suggested a general *belief that*, whatever the level, it was too high.

Asked which of five jobs did the most good for the country, voters placed MPs a long way behind doctors and policemen and only just above local coun*cillors and solicitors.*

But the survey, conducted about a month ago, showed that in spite of all the uncertainty about Parliament, only 13 per cent. were undecided about which way they would cast their *vote at the next election.*

After eliminating them, the poll gave the Conservatives a lead over Labour of 11 per cent.

Election warning

BY OUR LOBBY STAFF

IN SPITE OF the deadlock in Budget discussions between the *Government* and the Liberals, Mr. David Steel, the Party leader, insisted yesterday that the absence of agreed Finance Bill proposals would not necessarily mean the end of the pact.

Mr. Steel, who, with Mr. John *Pardoe*, the Liberal *economic* spokesman, will be presenting the party's package to the Press to-day, was speaking after renewed sabre rattling that serious disagreement could precipitate a General Election this summer.

A Cabinet meeting yesterday more or less completed work on public expenditure plans for the new financial year. But the tax measures envisaged by Mr. Denis Healey will not be revealed to Ministers until the eve of his April 11 Budget statement.

The Government says that major defeats at the hands of a Liberal-Tory alliance in Committee proceedings to bring in far bigger direct tax cuts than the £2bn. to 2.5bn. believed to be planned by the Chancellor could not be tolerated.

Liberal News warned in an editorial yesterday that failure by the Chancellor to come up with a package closer to Liberal demands could mean a June election.

Tanker procedures to be reviewed

BY OUR PARLIAMENTARY STAFF

THE GOVERNMENT is to review the procedure under which oil tankers transfer cargoes off the English coast, following the Amoco Cadiz disaster.

This was announced by Mr. Stanley Clinton Davis, Trade Under Secretary, in a Commons answer last night.

He told Mr. Peter Mills (C., West Devon) that the procedure had been under careful consideration by Government departments concerned with the local authorities. But he was prepared to look at it again.

Mr. Mills had asked the Minister to review the whole procedure under which oil was transferred from one tanker to another off the coast of the South-west of England.

Mr. Davis assured him that the cause of rudder failure in the case of the Amoco Cadiz would be studied fully to see if further international measures were necessary.

Mr. Mills had asked whether the Government was satisfied that many supertankers should be fitted with only one propulsion screw and were, therefore, helpless if a major breakdown occurred.

Mr. Davis replied: "Because nearly all large tankers are fitted with single rudders, single screws provide greater manoeuvrability than twin screws at slow speeds.

"While the lessons to be learnt from the Amoco Cadiz disaster will be studied fully, it would not be practicable to convert existing tankers from single to twin screw, nor would this guarantee tha tno tanker would ever be left without proper power for propulsion."

Study scheme extended

BY OUR PARLIAMENTARY STAFF

THE CLOSING date for applications for aid for feasibility studies into collaborative arrangements among small firms is to be extended, Industry Under-Secretary Mr. Bob Cryer told the Commons last night.

In a Commons written answer, Mr. Cryer said that of the £100,000 available, the total *amount so far committed* was about £35,000. The scheme, which was introduced in April, 1976, was due to terminate on March 31 this year.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● AUTOMATION

Brick-sized unit to control big engine

DIGITAL CONTROL of three basically very different gas turbines has been successfully demonstrated by Hawker Siddeley Dynamics Engineering using what is the same electronics array and changing only the instruction set.

Engines involved start with the small 1,400 hp *Gnome* turboshaft power plant for helicopters, the next step up being a vectored thrust turbine, believed to be of the type used in the Harrier—the company is not permitted to disclose—up to the large Olympus TM3B marine propulsion package. This will provide from 20,000 to 25,000 shp depending on engine Mark.

Hawker development engineers have put the whole control system in an aviation package which is about the size of a common building brick, if on-engine installation is required. The alternative is off-engine mounting in a standard 19 inch industrial rack.

This equipment is being shown for the first time next week at the American Society of Mechanical Engineers gas turbine conference at Wembley.

HSDE has been working towards this present achievement for some time. It has 20 years experience in building electronic gas turbine fuel controllers and its analogue electronic control units have accumulated over 3.5m. flying hours.

Its new digital controller has equal applications in industrial, marine and aviation gas turbines. Built into the package are self-checking routines so that control and peripheral sensors can be thoroughly tested prior to operation, thus ensuring high plant availability. Primary function of the controller is to optimise plant performance. At the same time, it can provide plant condition monitoring and recording without the need to go for further hardware.

HSDE, Manor Road, Hatfield, Herts. *Hatfield 68234.*

● SHIPPING

Lofting for smaller shipyards

NEW SHIPBUILDING methods have undergone more radical changes in recent years than those involving the cutting of ships' plates—thanks, almost entirely, to the advent of computers. Most major shipbuilders are able to rely on computer-controlled equipment either for direct plate cutting or for producing a template.

Capital costs are, however, substantial and small and medium sized yards have been unable to take full advantage of some of the new developments in shipbuilding technology. In computer-based numerical lofting techniques, however, the British Ship Research Association is now able to provide a service and so help such yards to close the technology gap.

BSRA is able to produce replicas of ships' lines and templates to any scale—usually full scale or 1/10. Body plans to 1/10 scale and full scale scrieve boards can be produced in panels, depending on the size of ship. These capabilities are attracting interest among shipyards which already have optically-controlled machines.

The planned introduction of BSRA's "GOLD" system on a mini-computer will enable small and medium size builders to introduce numerical parts definition with only moderate equipment costs.

BSRA, Wallsend Research Station, Wallsend, Tyne and Wear NE28 6UY. 0632 625242.

Inspection without docking

SEVEN YEARS of research and development by VP Pimtas AG lie behind a system of in-water survey which uses the latest technologies in ultrasonic thickness measurement and close-up true-tone colour TV recording for the continuous survey of the sides and bottom of a vessel without dry docking.

The system is virtually self contained and cuts to a minimum the need for divers. The submerged sides and bottom of the hull are surveyed by remote control to classification standards by TV cameras while at the same time an ultrasonic probe continuously measures and records the plate thickness as the vehicle progresses along the hull. The information obtained is relayed to the surface where observers on deck or on an accompanying work vessel can simultaneously view on monitors both long-range and close-up displays.

Approved at present by Bureau Veritas, this new system of in water survey will be on show at the Bureau Veritas stand at the forthcoming "Shipcare 78" exhibition in Hamburg, April 18-21.

VP Pimtas, Dolphin Works, Crowhurst Road, Hollingbury, Brighton 6. 0273 561376.

● COMMUNICATION

Radio data terminal

LOOKING a little like a portable transistor radio, a data terminal put on the market by AEG-Telefunken allows two-way transmission to a central data processor.

The radio section can work in the 80, 160 or 460 MHz bands with 20 or 25 KHz channel spacing, so that up to 32 "portables" can be *in communication with the central* point using selective calling.

Each portable has a numeric keyboard which is used to key data into a built-in memory, and the portables are then polled in sequence by the central station, each sending 90 bits when addressed, with transmission at either 1200 or 2400 bits/sec. With 32 outstations in the system this gives a calling-off cycle time of 10 and 6.5 seconds respectively.

Each terminal also has a small, single line display on which 14 characters can be displayed—either what is being sent, or what has been received from the central station—for example, an instruction. The system allows for the number of terminals in use, but removes from the calling-off cycle those from which there has been no data sent for some time.

The fixed station radiates six watts of power while the portables emit one watt, making the system suitable for docks, airports, freight terminals—wherever line communication is not available or is unsuitable.

If necessary the terminals can *be used as radio telephones.*

More from AEG-Telefunken (UK), 202 Kensington Church Street, London W8 4DP (01 299 9244).

● CRYOGENICS

Metal test for liquid gas runs

LIQUID nitrogen, supplied by the BOC Gases Division, has been used to test operation of low temperature loading arms to be used for the loading of natural gas liquids (NGL) into tankers at the Phillips Norway Group's Ekofisk North Sea oil *terminal at Teesside.*

BOC had been invited to put forward proposals for simulating operating conditions for the loading arms, pending the availability of various liquefied petroleum gases which are scheduled to be produced at the NGL processing plant at Seal Sands. A test method was developed by BOC in collaboration with Parsons, Brown and Harris, consulting engineers to Phillips Petroleum Company, operator of the Teesside terminal.

The loading arm selected for test was one designed for the transfer of refrigerated liquid ethane (operating temperature minus 97 degrees C).

Liquid nitrogen at minus 196 degrees C was chosen for the tests as being the most readily available substance able to sustain a low enough temperature throughout the whole of the loading arm system to match that of liquid ethane at all crucial points.

Apart from the speed with which liquid nitrogen could be expected to cool the loading arm system to an extreme low temperature and its ease of distribution, a third factor is that, being inert, nitrogen is completely safe to use under experimental conditions.

The arm, constructed from 3½ per cent. nickel steel, has an operating temperature limit of minus 100 degrees C.

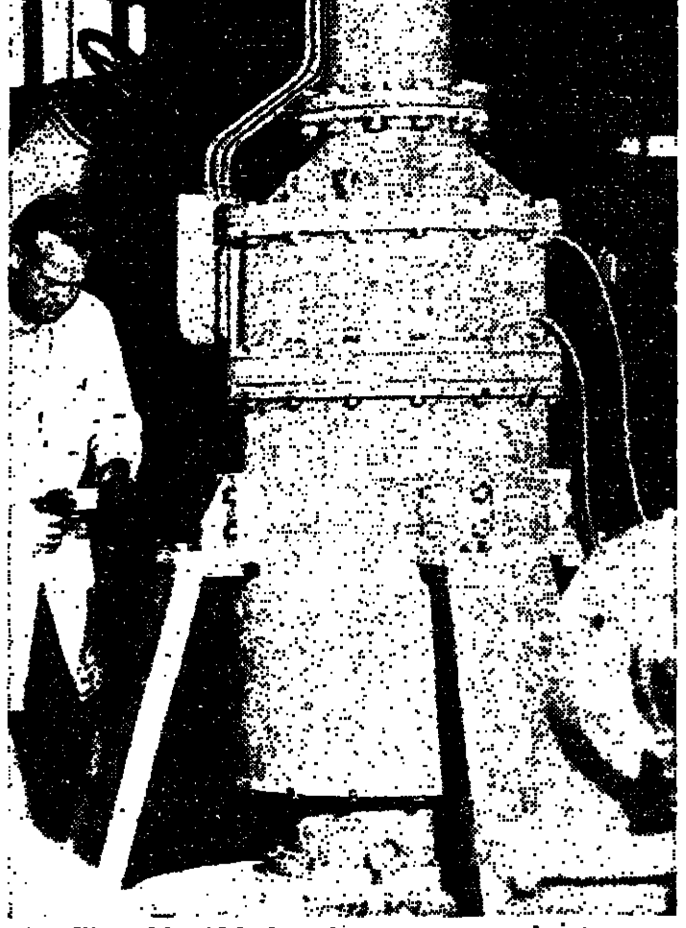
In order to ensure that the loading arm temperature during the test was contained within the permissible test limits, a closed *circuit system was arranged* by manifolding two adjacent loading arms at the jetty head and at the tanker couplers. BOC engineers carried out the low temperature tests using a special forced draught vaporiser.

Liquid nitrogen, injected from a BOC road tanker into the vaporiser unit, was turned into cold gas, the temperature of which progressively rose as it passed through the closed circuit and returned to the vaporiser unit.

Thermocouples measured the temperature at specific points in the loading arm system and the rate of nitrogen injection was manually controlled to ensure that the loading arm temperature was maintained within experimental and safe operational limits. When the required temperature had been reached, the circuit was pressurised using gaseous nitrogen from cylinders. The loading arm was moved through part of the operating envelope and all joints were checked for leaks.

Kier is the main contractor to Phillips Petroleum Company for building the jetties. The loading arms were fabricated by the National Supply Company, Stockport.

BOC on Rotherham 2161.



Handling of liquid hydrocarbon gases at very low temperatures—typically minus 162° C for natural gas—places major stresses on the pumping equipment employed. Siemens has developed the submersible motor-driven pump shown here and indicates that it is the first such unit produced in Europe. Collaborating with Rheinhuette Wiesbaden, Siemens designed the unit for a capacity of 35,000 cubic feet per hour, operating inside the liquid gas tanks on board LNG carriers. It also tested it to withstand rough weather and other forms of mechanical strain, apart from conferring on it ability to operate without trouble at extremely low temperatures.

● COMPONENTS

Miniature uniselector

IN SPITE of the inroads made into the mechanical switching market in recent years by solid state techniques, there remains, according to Pye Electro-Devices a strong demand for small, electromechanical multi-switching devices that are relatively cheap and can offer a high insulation resistance between input and output.

The company has therefore introduced a ratchet-driven three level uniselector contained in a can 1¾ *inches in diameter* and three inches tall. It will perform at least 24m. steps without adjustment or maintenance and in view of this has been given complete protection by enclosing it in a metal casing spun into place.

The device is mounted using a jack which is retained in position with a nut, giving easy electrical and mechanical connection.

With three levels each of 12 *outlets, the switch can be used* for decade counting and, because the moving parts are of low mass the uniselector will self-drive at between 85 and 130 steps per second.

More *from* the company at Exning Road, Newmarket, Suffolk CB8 0AX (0638 5161).

● COMPUTERS

More power for business users

PHILIPS Data Systems is to launch two new computer systems in June—the first major announcements from the company since 1976.

The two new machines are the P330, to be the most powerful member of the *P300 electronic* accounting and visible record computer range, and the P430, a new model in the larger P400 small business systems range.

In Amsterdam this week, Peter de Vos, managing director of the Dutch electrical and electronics giant's computer division was aggressively confident of its recent achievements: "Let there be no doubt that Philips is continuing in electronic data processing, *in* spite of the rumours circulating after the collapse of Unidata and since, in certain quarters."

Unidata was a shortlived joint venture undertaken in 1973 by Philips with Germany's Siemens and France's CII in a bid to produce a European answer to the U.S. dominance of the large computer market. Unidata failed, de Vos said, because "We miscalculated the political issues."

The current rumours he referred to are understood to be spread by salesmen from rival computer makers.

After Unidata, Philips chose to concentrate on the market for office computers—a term which it claims to have coined—with impressive success. Now, Philips has over 75,200 installations worldwide, with an average of 15 per cent. of the market in each of its countries of operation, where "we are always in the top three," says de Vos.

Of the new system, the P330 is a big brother to the P310 and the P320, and can handle input and output from the flexible magnetic discs of the P310, the magnetic ledger cards of the P320—or both. This combination is claimed by Philips to be unique. Prices are expected to start at £12,000.

In the bigger P400 range—rivals include the ICL 2903 and IBM System/34 computers—the new machine was announced as the P430, but in the U.K. it is likely to be called an enhanced version of the only model currently in the range, the P410, launched in 1976.

Other European countries have for some time sold two other machines in the range, the P440 and P450, but according to Data System U.K.'s managing director, *Dr. Richard Horsnell, these were* not deemed suitable for the U.K. market.

The P400 range has always been promoted as a bridge between office computers and expensive mainframes: Horsnell described the appeal of the new computer as: "It allows users to grow from a single workstation magnetic ledger card system to a seven terminal network. This is the only system available which allows this."

P430—or enhanced P410—prices will start at about £19,000.

● ENERGY

Reduction of fouling saves power

SIGNIFICANT energy savings in refinery and petro-chemical operations are reported by Essochem Europe affiliates for an energy conservation system they are now actively promoting. The system involves plant simulation and antifoulants marketed under the Corexit brand.

Essochem's method measures thermal fouling of specific feeds and permits selection of the most appropriate antifoulant to remedy the problem. The test simulates plant stream history and takes into account critical process variables such as temperature, feed composition, antifoulant activity and concentration. Also, it permits meaningful data to be collected in a brief period of time, even for low-fouling streams.

When used in units which have a heat exchange function, antifoulants can reduce the build-up of solid waste matter which would otherwise reduce heat transfer coefficients by up to 70 per cent. Less fuel is therefore needed to attain the required operating temperature. In addition to energy savings, use of these products can yield two further significant benefits: higher effective capacity and lower maintenance costs through longer intervals between turnarounds.

Esso Chemical, Arundel Towers, Portland Terrace, Southampton SO9 2GW. 0703 34191.

High power transistor advance

DEVELOPMENT OF what is described as the most efficient power transistor is claimed by General Electric Corporation's Research and Development Centre at Schenectady.

One of the first applications of the transistor will be in a pair of experimental electric vehicles now being developed under a contract from the U.S. Department of Energy.

GE says the new transistor is capable of switching 400 volts and 350 amperes on or off in less than one-millionth of a second. It requires an external drive of one-tenth ampere to operate the switch. The device is a silicon *chip measuring ⅜ by ⅜ inch,* mounted in a copper heat sink.

● PACKAGING

Easier to open the pack

THOUGHT to be Britain's first "E" flute-sealed carton which can be opened by means of a tear strip, a design produced by Corrugated Products, King Edward Park, Lockerbie, has been developed for large detergent cartons from E10 size upwards.

But the tear strip carton is thought to have applications in other areas including confectionery and the whisky industry.

The no-fail tear strip will be available in two forms. A thin poly strip located on the inner wall of the carton cuts through the carton when pulled by a finger flap or, the finger flap can be used to tear away a perforated section of the wall. In both instances, *the material is* parted on three sides only so that, when opened, the carton retains a hinged lid, the unopened edge being creased for this purpose.

In many instances, the costs of the new carton will be no more than conventional cartons. Where additional costs are incurred, they will be less than 5 per cent. of the basic carton cost.

Corrugated Products, King Edward Park, Lockerbie, Dumfriesshire, Scotland. 057 62 2292.

● SAFETY

May be used in fire-risk areas

FLAMEPROOF heat detectors manufactured by Graviner have been given approval for *use in* hazardous areas by the Health and Safety Executive.

Designed for operation in contaminated atmospheres including those with hydrocarbon vapours, the four detectors are particularly suitable for use in the petrochemical industry.

The approved units are available with either normally open or normally closed contacts and can be lug mounted or screwed into a ¾ BSP bush.

The detectors are adjustable to operate over a temperature range of 0-300 degrees C. They are normally supplied factory set to customers' requirements, but can be adjusted in-situ, says the company, which has its headquarters at 448 Basingstoke Road, Reading, Berks. (0734 85301).

● MATERIALS

Additive makes floor wear-proof

RESIN flooring systems based on an epoxy formulation have been extended with a new admixture which can provide a surface of extreme hardness.

The product, calcined bauxite, is broadcast on the surface of the epoxy resin which is then over-*sealed before it cures to form a* monolithic layer.

Product characteristics include nil moisture absorption; excellent resistance to crushing, abrasion, impact and chemical attack; and unusually good and lasting skid resistance.

Calcined bauxite has a value of 9 on the Mohs Scale, a figure only exceeded by diamond which is rated at 10.

Th. Goldschmidt, Initial House, Field End Road, Eastcote, Middx. HA5 1RY. 01-868 1331.

The Management Page

EDITED BY CHRISTOPHER LORENZ

David Fishlock reports on why Merck is launching its drug for the 1970s in Britain

The 'better aspirin' that may cure a drug giant's headaches

MERCK. Sharp and Dohme, the U.S.-based pharmaceutical group, has not had a big commercial success from a new drug discovery since the 1960s. Yet so confident is its management of the outcome of a research programme on which it will spend about £80m. this year, that a regular topic of discussion is the risk of "product indigestion"—more innovations than it can comfortably manage.

Executives speak, for example, of new vaccines that may eradicate pneumonia, hepatitis, even tooth decay. They hint at a new motivating agent "that may arouse people quickly from a deep stupor;" and even a drug that may "cure" obesity.

Ideally, says Mr. A. E. (Barry) Cohen, president of MSD International — which accounts for almost half MSD's sales—the company needs one big success every decade, and one or two important new drugs *on average every year.* He believes the big one for the 1970s will be Dolobid, the new analgaesic, announced yesterday, which MSD plans to make and market worldwide from Britain.

Cohen, 41 and Indian-born, sees Merck as future market leaders in pharmaceuticals. To day it ranks second in sales to Hoechst *in* the most recent Chemical Insight league table of leading producers, having overtaken American Home Products in 1976. It reached this position, he says, by taking certain key management decisions over the post-war years.

One was to be a research-based group, genuinely searching for original products. Another was to move from fine chemicals — which Merck was in originally — to pharmaceuticals by buying the drug company Sharp and Dohme in 1953. A third was to concentrate almost exclusively on ethical drug products. Tempting though they can be commercially, says Cohen, over-the-counter medicines and "fringe-medicine" products such as toothpaste and hair treatments merely dilute the innovative effort. Last year MSD sold its Calgon consumer products business to Beecham for £40m.

But why Britain as the launchpad for a product he rates as importantly as Dolobid, the drug MSD invented to replace aspirin? Are Britons, for whom 27m. NHS prescriptions are written each year for pain-killers (a £24m. market), to be the guinea pigs for the latest discovery of Merck's American research?

MSD executives claim quite different motives. One is the slowness of the bureaucratic process for drug licensing in the U.S., which can delay a launch by four or five years compared with such countries as Britain and West Germany (where MSD's last drug was launched). *Nevertheless, they* stress, Britain is no "soft option" in terms of drug regulation, but a powerful example to the regulatory agencies of other countries.

The second reason for selecting Britain is that it accounts to-day for about one-third of its sales in Europe; is MSD's longest-established overseas operation—just 50 years—and, moreover, MSD is a company the National Health Service recognises as an important source of original medicines. Executives cite the fact that in 1976 Dr. David Owen, then a Minister at the DHSS, personally announced plans to invest £15m. in a new plant at the Ponders End factory of Thomas Morson and Son, *to* manufacture diflunisal, the new analgaesic compound.

Mr. Nicolo Pignatelli, Cohen's new deputy, and recently recruited from running Gulf Oil's international operations *from London, has been a long-*serving member of an overseas panel advising MSD on international relations. Pignatelli sees MSD as a multi-national which is well-tolerated by the Government in Britain, where any serious threat of nationalisation of the drug industry has receded beyond the horizon.

Merck believes that this is the first time a foreign drug company has chosen Britain from which to launch a major new product. Initially, it plans to import the raw material from its Stonewall, Virginia, plant for a seven-stage synthesis which, it is estimated, will add about 30-fold to its value. Britain will be responsible for worldwide supplies of what, in Cohen's view, "could become one of the major products of the industry in the next few years."

Dolobid, although the result of a deliberate search for a pain-killer free from the side-effects of aspirin for those obliged to take several doses a day, will not in fact oust aspirin and other over-the-counter analgaesics. For one thing, it will be available on prescription only—as indeed, states Cohen, *would aspirin be if it were dis*covered to-day. For another, it will be much more expensive than rival painkillers. And a third factor is that MSD admits that its new drug does not have the powerful anti-pyretic (temperature-lowering) properties of aspirin.

Even so, what MSD claims it has discovered in a search that began in 1954 is "a better aspirin" for those people who suffer from chronic pain—from rheumatism, arthritis, etc. The scientists say it is four times as potent, with a longer half-life, and much less of an irritant—"everything we had hoped for." People can take it over-night and wake up free from pain.

Dolobid, however, is not typical of the mainstream of Merck's research effort to-day. It only ameliorates the symptoms of disease. Dr. Roy Vagelos, president in charge of research, claims that MSD probably does more research in preventative medicine to-day than any other drug company. A former university professor who *had* "never made a drug," Vagelos joined MSD only three years ago, inheriting one of the oldest drug industry research efforts—it began at Merck in 1932. The big innovations that *interest Merck are not achieved* by two-man units, he says, but by "critical masses" of the order of 250 people. He directs about nine teams of this size, engaged in what he calls "basic targeted research." It requires close inter-action between many disciplines to design a drug with the specificity demanded to-day. The targets, says Vagelos, are tough but self-evident—"recruiting the best people in the world *is really my problem.*"

Serendipity—the world Walpole invented for the faculty of making happy discoveries by accident—is a word often heard around Merck's two main research centres, at Rahway, New Jersey, and West Point, Pennsylvania. Between them, the two laboratories account for about 80 per cent. of MSD's research effort. Serendipity steered the scientists from a drug that might have prevented malaria but proved too toxic, to the first of its animal health products — a business that reached 15 per cent. of sales last year.

In spite of a large programme on antibiotics there is general recognition at MSD that antibiotics will never *prevent* disease. Ultimately the organisms causing disease will acquire immunity to every antibiotic. Vaccines, Merck management firmly believes, are a much more promising quest. But here above all a big team with many different scientific disciplines is essential. Vagelos has about 11 kinds of vaccines at various stages of research or development, for bacterial as well as virus diseases.

Success can bring its own problems for researchers. One is the "development trap," when the research team *becomes so captivated by the* problems of developing a discovery into a new product—a lengthy process which these days can also demand much first-class science — that it neglects the more basic search for new compounds and new mechanisms for combating disease. "Our solution," says a senior bacteriologist, "is to set the research far enough away for people to have time to think." He extricated his team *from one development trap* by setting up a new research group 3,000 miles away, in Spain.

Another trap is to expand research facilities *faster* than the research management can accommodate without disrupting the research programme itself. For that reason MSD is treading warily in planning its next big research centre. But one decision has already been taken, says Barry Cohen—the next big laboratory will be in Britain.

WORLD'S LEADING PHARMACEUTICAL COMPANIES (drug sales only)

Ranking '76	('75)	Company	Sales $m.	Ranking '76	('75)	Company	Sales $m.
1	(1)	Hoechst (W. Ger.)	1,560	14	(11)	Rhone-Poulenc* (F)	644
2	(3)	Merck & Co. (U.S.)	1,396	15	(21)	Takeda (Jap.)	643
3	(2)	American Home Prod. (U.S.)	1,387	16	(16)	Schering-Plough (U.S.)	640
4	(4)	Hoffmann-La Roche (Switz.)	1,148	17	(14)	Squibb (U.S.)	630
5	(5)	Ciba-Geigy (Switz.)	1,097	18	(19)	Johnson & Johnson (U.S.)	623
6	(10)	Bristol-Myers* (U.S.)	1,063	19	(17)	Sterling Drug* (U.S.)	616
7	(8)	Pfizer (U.S.)	930	20	(20)	Glaxo† (U.K.)	605
8	(7)	Warner-Lambert (U.S.)	916	21	(22)	Abbott (U.S.)	512
9	(6)	Bayer (W. Ger.)	890	22	(23)	Beecham (U.K.)	495
10	(9)	Sandoz (Switz.)	881	23	(25)	Schering AG (W. Ger.)	446
11	(12)	Eli Lilly (U.S.)	761	24	(27)	Akzo (NL)	436
12	(15)	Boehringer-Ingelheim (W. Ger.)	719	25	(24)	Cyanamid (U.S.)	426
13	(13)	Upjohn (U.S.)	695				

Notes: * Estimated. † Includes food.

Source: Chemical Insight, No. 140, December, 1977. 44, The Keep, Blackheath, London SE3 0AF.

Product design: a raw nerve

THE LAST thing the galaxy of top businessmen and designers expected from the "little woman"—as she described herself—was a series of searing blows below the belt. A few minutes later heads were shaking in irritation, or bowed in pain, as their illustrious owners considered the all-too-serious import of what they had expected to be a lightweight after-dinner speech.

Helen Robinson: "It's just like Alice in Wonderland"

What Mrs. Helen Robinson, Debenham's chief stylist, was complaining about in her speech to the annual dinner of the Society of Industrial Artists and Designers, was the low priority given by much of *British industry* to good product design. Her impact was all the more telling for the fact that her definition of "design" was not confined to styling—which is what the term "industrial design" has unfortunately come to mean in this country (see this page, March 14)—but the entire design process, including the product's suitability for efficient manufacture and its economic viability.

"The design and making of the product seem an unim[portant] area for top managemen[t]," she complained — [cle]exempting her own organ[isa]tion from such blame. W[ith] committees, sub-comm[it]tees and *the* attending of m[eet]ings with Government dep[art]ments, there was little time [left] for the chief executive "to [be] effectively accountable for [the] only thing in the long run [that] *really* matters," Mrs. Robin[son] argued.

Later in her speech she m[ust] have touched many a raw ne[rve] with her call for a looser [hold] of "the reins of incestu[ous] administrative techniq[ues] which produce little but a[...] for politicking," so that [top] management could ins[tead] "concentrate on the shap[e of] things to come."

Accusation

Unrepentant after her [...] settling address, Mrs. Robi[nson] has since been prepared to [add] insult to injury. She acc[uses] many companies of having [...] priorities turned upside d[own,] of putting such matters as [...] image with the City far hi[gher] up their scale of priorities [than] getting the right products [on] the market, in the right [...] *and at the right* price. [It is] just like Alice in Wonderl[and,] she maintains.

To back up her case, sh[e re]counts her experience out i[n the] field, when she accomp[anies] Debenhams' buyers to the [show]*rooms and factories of* asp[iring] suppliers. The purchasing [power] of a company such as hers, [with] 70 stores, is unusually st[rong,] so the suppliers regularly [turn] out their top brass: the [man]aging director, and his [direc]tors of marketing and [...] plus—quite often—the pr[oduc]tion director. But the nu[mber] of times they presented [any]one with responsibility f[or de]sign—either in narrow or [over]all terms—"can be count[ed on] the fingers of one hand," [Mrs.] Robinson says sadly.

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Claim and counterclaim

In 1968 I sold my business after 24 years of successful trading leaving part of the purchase price to come later and rented the premises to the purchaser. After three years the purchaser claimed the business was not what it was made out to be and issued a writ claiming rescission of the contracts. No *further moneys, no rent* was paid. In 1971 the company was compulsorily liquidated and the purchaser walked out. He has done nothing to bring his case to trial and my solicitor tells me that if I go *to court and apply for the* action to be struck out, I also lose my claim for the balance of the purchase moneys and for rent. *Last August he told me* that he had arranged with the other side to have the matter go to arbitration, but nothing seems to have happened. What, please, do you advise?

We agree that the matter appears to have been handled in a very dilatory manner on your behalf. You can strike out a claim without losing the counterclaim, although by now both might be in jeopardy. If the company which you say is in liquidation is the purchaser, your counterclaim may have little practical value in any event. You might do well to instruct different solicitors to take over the matter and press for a speedy resolution, if any resolution is likely to produce practical results. You are not obliged to go to arbitration unless you have agreed in writing (for example, in the contract) to do so.

Company loan

I hope to set up a small company with a £3,000 loan and an overdraft. (1) Would a repayment of the loan be assessable as a distribution? (2) If the loan were by means of a loan stock and the company failed, would the loan stock loss be eligible as a capital gain tax loss?

It is unwise to set up a close company without seeking professional guidance beforehand, unless you know more about tax law than your enquiry suggests. Briefly, the answers to your questions are (1) no, but it might lead to an apportionment, under paragraph 12(1) (a) of schedule 16 to the Finance Act 1972. (2) yes. Close company taxation is beset with pitfalls for the unwary and self-help is likely to prove a false economy.

*

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

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VGV 543S
OLVO WE DEMAND STRENGTH
FROM THE CAR, NOT THE DRIVER.

LOMBARD

A ritual drama in Germany

BY ADRIAN DICKS

WITH THE conclusion of a new wage contract for engineering workers in North Wuerttemberg-North Baden in the small hours of Monday morning, the main excitement of this year's West German bargaining round is now probably over (though a note of caution is still in order until this week's ballots of the rank and file have been held, for the dockers in February threw out a hard-argued pay deal at first sight).

As in past years, you would have had to be somewhat of a devotee to savour fully the long drawn-out, almost ritual drama. Was it actually necessary, the outsider is tempted to ask, for Herr Heinz Duerr and Herr Franz Steinkuehler, regional heads of the engineering employers and of IG-Metall respectively, to negotiate for a total of 250 hours and to push themselves to the limits of physical endurance, for so tiny a change in percentages? For the employers moved only from a 3.5 per cent. offer to the 5 per cent. settlement, while the union made a slightly greater movement downwards from its starting claim of 8 per cent. (in the process, both sides rejected an arbitrator's award of 4.8 per cent.).

Expensive

Of course, the percentages are important, both as part of the employers' wage and social security bill, and in terms of the German Government's target of a 5.5 per cent. rise this year in actual earnings, with which the metal industry deal is just about still compatible. No-one, including the unions, is in any doubt of the significance of even tenths of 1 per cent. in the current context of a relentlessly climbing Deutsche Mark, which has already made this country's workers the world's most expensive.

Reaction to the Stuttgart settlement has been something less than enthusiastic. Employers in other regions have called the 5 per cent. pay increase too high, and have warned that the customary, virtually automatic, adoption of the contract's terms for the rest of the country is by no means assured this time. From the Ministry of Economics, whose 5.5 per cent. rise for total earnings implies wage rate increases of well under 4 per cent., there has so far been a deafening silence.

Yet the engineering industry negotiations and three-week-long strike and lockout have served other purposes that are perhaps even more vital than that of the traditional yardstick for the rest of the wage round. They have reaffirmed the relevance of the West German bargaining procedure itself, allowing both the perpetuation of an important fiction and proving German negotiator to be flexible enough to meet the challenges of problems that fall outside their traditional sphere of responsibility.

The fiction that has been carefully sustained is that of the total "autonomy" of the two sides of industry. It is true that eventual agreement was reached without the intervention of any outside—that is governmental—figure, in contrast to the recent printing industry dispute. Yet the mounting social and economic cost of even a regional engineering strike had already reached a point where such intervention might soon have become totally inevitable had a deal not been struck. Bonn is as relieved as anyone else that this did not become necessary.

The flexibility of the procedure has lain in the inclusion, for the first time in a comparable West German wage contract, of the provisions on job security and reclassification in the event of labour-saving technological change. This issue, even more than the size of the 1978 wage increase, gave the negotiations their particularly hard edge—just as the printers' dispute which ended two weeks ago was mostly concerned with the future under electronic, cold-type technology of men highly skilled and highly paid under the traditional hot metal process.

Forum

Before its demise, the concerted action conference might have provided a forum for the discusison of such fundamental issues as the trade-off between job security and technological change. Instead, the unions, unhappy at the way in which that instrument of the social contract had become loaded against them, have raised the matter in two specific industries and have walked away with compromise terms in each case that both workers and employers should be able to live with.

Whether either the printers' or the engineering workers' terms of adjustment to technical change provide models for the rest of Germany, or for other countries' parallel problems, are open questions. They will almost certainly squeeze business a little further at a time when the external factors are already alarmingly painful.

But then, outsiders must always guard against the conclusion that West Germany's social stability has ever been either painless or cheap.

Taking a knife to the roots

GARDENS TO-DAY

BY ROBIN LANE FOX

THERE ARE two distinctive sorts of perennial plants in my garden: those which flower beautifully a year or two after planting and then disappear and those which creep slowly along, looking wretched, until three years or so have passed and they suddenly become uncontrollable. They remind me at times of racehorses. When you admire a clump of tall blue Anchusas flat out in flower at a height of five feet within three months of buying them, you are like the man who always backs the horse which leads by miles on the first circuit of the course, in the belief that it will stay there. Alternatively, a small group of pot-grown Japanese Anemones will linger on until you have almost forgotten them. Then, elbowing all their neighbours out of the light, they will take over half a flowerbed and prove themselves a winner.

It ought, then, to be easy to match the two. Anchusa, Poppy and Verbascum could come and go between clumps of the slow-movers. Owners of new gardens should indeed take these quick plants seriously: it is still not too late, though no longer cheap, to buy them for this year, wrapped in a black polythene 'pot' round their roots. How, though, do you replace them when they disappear within two years?

On the whole, these quick plants are not too reliable from seed. Sometimes, they germinate thinly. Often, they have been bought because they are a particular colour and will not come true to it from seed. Far the simplest way to increase them is to imitate the nurserymen and take cuttings off their roots. Gardeners are still too timid about this. We all pay too little attention to the spread and angle of the roots when we plant something. But after that, a root is sacred. Put so much as a fork through a rose-root after it has been pushed in to fit its hole, and you feel that the morning's work has been more harm than good. Last winter, I set about the roots of my best quick border-plants and cut them up. I am now enjoying the results which are not, I assure you, disastrous.

The ease of rooting a root-cutting first dawned on me through a mistake. I had been impressed by the big clump of white-flowered kale, *Crambe Cordifolia*, in the back of the long June border at Kiftsgate Court, Gloucestershire. Many, too, have been taken the same way. Never mind if this huge 7ft. cloud of white flower disappeared in mid-July: the Michaelmas Daisies would hide it. So I let two roots of it into the back of a smaller border and soon wished that it had stayed no nearer than Chipping Campden.

The main root bolted 3ft. deep in the drought. I tried to stop the side roots spreading into a shrub and chopped them into small pieces, every one of which turned into a new piece of kale. I then set about the main root and broke it too, whereupon the huge cabbage-leaves of *Crambe Cordifolia* were sprouting everywhere and I had turned a pleasant bed of day-lilies into something more like a cover for foxes. Root divisions, choppings or cuttings were clearly an easy way of increasing a plant which still sells at 70p for a root.

If the kale would do it, why not the *Anchusa, Poppy, Sea Thistle* and *Verbascum* too? I am very fond of these fine plants, especially a stand of the deepest Blue Anchusa beside a wide clump of pale primrose yellow, best found in a charming *Verbascum* called "Gainsborough." They, too, are not cheap, especially when some of them die after one good year. But root-cuttings are the answer to them, as they will not divide nor come well from a seed packet. I suppose that it is still not too late to try this out, though you should act at once and tell yourself it is a late spring.

Dig up one of these plants with as much of its tap-root as you can extract. If you break bits off, lay them carefully in a box, being sure only that you know which ends were once their top-end, the end nearest the surface of the soil. Discerning the top end is the one and only trick to taking a good root-cutting. When you have the tap root, cut it up into bits an inch to two inches long. Again, put these in the box with all top ends pointing in the same direction. Take the box to another, preferably quite a deep one. This should be filled with a sandy or gritty light loam, well sieved and damp, but not so damp that it clogs into a ball when you hold it.

Into this mixture, merely prick out your bits of root, making sure that the top side is still nearest the soil's surface. They go in vertically, just as if they were still on their parent. Press them firmly down and cover them over with half an inch of the same soil. There is no to water them too heavily, when shoots appear, around May, be ready to move the little plants to a nursery until next spring. One good root can give you a dozen c ren. They root very regul far more regularly than fai root-cuttings. But keep the side up.

Evening Primroses and huge silvery biennial thistle six-foot *Onopordon*, are exce plants for root-cuttings.

Division is a quicker wa increasing the border Phlox there is also a use for cut from the roots. Eelworm mains the small but lethal e of Phloxes in whose shoo lives, twisting and shrive them. By taking a root-c and putting it in a new be can sometimes rescue tho Grenadiers and White Ad which are troubled with th stoopable pest.

As you see, it is very si nurserymen are not alwa the border-plant trade beca its skill. You need only what I learnt from the never be too afraid of cutti established root to bits.

Popular Win likely to beat rest of Haydock handicappers

RACING

BY DOMINIC WIGAN

TEN HANDICAPPERS, all with winning form last season, line up for this afternoon's £5,000 Wright and Green Handicap over a mile and 40 yards at Haydock. A closely fought race with a wide betting market seems assured.

My idea of the likely outcome is a victory for the Ryan Price filly, Popular Win, who has made the long trip to the North-West from Findon, Sussex.

This chestnut daughter of Lorenzaccio impressed all who saw her, when disposing of My Habibi in Goodwood's Findon Stakes in July.

She again caught the eye when putting up a particularly creditable performance at Newmarket.

There, Popular Win finished a close third of 14 behind Casino Royale, after appearing to be in trouble at halfway.

Sure to be well-suited by this afternoon's stiff mile on what seems likely to be yielding ground, Popular Win can take advantage of the 5 lbs she receives from the possibly still backward Homing, a Habitat colt out of the Princess Royal Stakes winner Heavenly Thought.

Paul Cole produced a smart early sort in Heir to the Throne at Leicester on Monday, and it will come as no surprise if Cockney Rebel, another newcomer from his Lambourn, Berks. stable, does the trick in the George Fordham Maiden Stakes.

Reports of this bay Sparkler colt suggest he will have too much early pace for the George Peter-Hoblyn trained Manton challenger, Red Crow, a chesnut colt by Balidar out of Welkin.

Some 30 minutes after Popular Win and company are tackling the mile of the Wright and Green Handicap, I hope to see Rushmere take advantage of the 9 lbs he receives from Dramatist in the day's most valuable event, Ascot's Bernie Inns long-distance hurdle.

Later in the afternoon, Prousto, a five-year-old with an extremely formidable reputation, can justify his admirers' accolades with a clear-cut success over Gruffandgrim in the two miles Kestrel Hurdle.

HAYDOCK

2.00—Running Cost
2.30—Cockney Rebel**
3.00—Popular Win*
3.30—La Garde
4.00—Gallie Craig
4.30—Orange Squash

ASCOT

2.00—High Prospect
2.35—Crowning Issue
3.05—Regal Choice
3.35—Rushmere
4.10—Carnival Day
4.40—Prousto***

New style tennis trophy

BY JOHN BARRETT

THE third Trophée Pernod circuit, a team competition for tennis players under 21, will have new venues and a new format for this year's competition, to be held between September 25 and October 7.

It will be reduced from three weeks to two and the first tournament will be played at the Nottingham University Sports Centre. The second will be played at the new Stevenage Leisure Centre, where the indoor bowls hall seating 800, will be adapted to international tennis.

In the past, the Trophée Pernod has been a knock-out competition between teams from eight nations. This year's competition will use a "round-robin" format prior to the knock-out stage.

Great Britain, already holder of both men's and women's trophies, plus Canada, West Germany, Sweden and Holland, have accepted the invitation to compete this year. Replies are awaited from Czechoslovakia, U.S.A. and France.

There will be open events for men and women alongside team competitions, and the first prizes have been raised to £200.

TV/Radio

BBC 1

† Indicates programmes in black and white

6.40-7.55 a.m. Open University. 12.45 p.m. News. 1.00 Pebble Mill. 1.45 Bagpuss. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Bailey's Comets. 4.40 The Seppala Race. 5.00 John Craven's Newsround. 5.10 Grange Hill. 5.35 Ludwig.

5.40 News
5.55 Nationwide (London and South-East only)
6.20 Nationwide
6.50 Young Musician of the Year
7.20 Big Henry and the Polka Dot Kid
8.10 Miss England 1978
9.00 Party Political Broadcast by the Conservative Party
9.10 News
9.35 The Hong Kong Beat
10.05 Sportsnight—Motor Racing, Greyhound TV Trophy, International Boxing
10.55 To-night
11.35 The Sky at Night
11.55 Weather/Regional News

All Regions as BBC-1 except at the following times:—

Wales—5.10-5.35 p.m. Bilidowcar. 5.55-6.20 Wales To-day. 6.50 Heddiw. 7.10 In Our Nature. 7.40-8.10 Young Musician of the Year. 11.55 News and Weather for Wales.

Scotland—5.55-6.20 p.m. Reporting Scotland. 9.00-9.10 Party Political Broadcast by the Scottish Conservative Party. 10.05-10.55 Sportscene. 11.55 News and Weather for Scotland.

Northern Ireland—3.53-3.55 p.m. Northern Ireland News. 5.55-6.20 Scene Around Six. 9.35-10.05 Spotlight on Northern Ireland affairs. 11.55 News and Weather for Northern Ireland.

England—5.55-6.20 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands To-day (Birmingham); Points West (Bristol); South To-day (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 a.m. Open University
10.20 Gharbar
10.45 Parosi
11.00 Play School
11.25 Open University
2.20 p.m. Racing from Ascot
4.55 *Open University*
7.00 News on 2 Headlines
7.05 Mr. Smith Propagates Plants
7.30 Newsday
8.10 Brass Tacks
9.00 Party Political Broadcast (as BBC-1)
9.10 Call My Bluff
†9.40 Midweek Cinema: "Dead End" starring Sylvia Sidney, Joel McCrea and Humphrey Bogart
11.10 Arena: Art and Design
11.45 Late News on 2
11.55-12.05 a.m. Closedown: *Michael Kilgarriff reads* 'A Clearing in the Alps' by William Peskett

BBC-2 Scotland Only—9.00-9.10 Party Political Broadcast (as BBC-1 Scotland).

LONDON

9.30 a.m. Kimba. 9.50 Heritage. †10.40 Hopalong Cassidy in 'Pirates on Horseback.' 11.45 Oscar. 12.00 Cloppa Castle. 12.10 p.m. Daisy, Daisy. 12.30 Sounds of Britain. 1.00 News. 1.20 Help! 1.30 Crown Court. 2.00 After Noon. 2.25 Barney's Last Battle. *3.20 The Rolf Harris Show.* 3.50 Paint Along with Nancy. 4.20 How. 4.45 Pop Quest. 5.15 Emmerdale Farm.

5.45 News
6.00 Thames at 6
6.35 Crossroads
7.00 This is Your Life
7.30 Coronation Street
8.00 The Streets of San Francisco
9.00 Party Political Broadcast: Conservative Party
9.10 Send in the Girls
10.10 News
10.40 The 50th Academy Awards
11.40 World Snooker: The Ladbroke International
12.10 a.m. Night Gallery
12.25 Close: Heather Emmanuel reads teachings and sayings of Buddha

All IBA Regions as London except at the following times:—

ANGLIA

9.30 a.m. Canada Five Portraits. 10.25 Manfred. 10.40 Hanna Barbera Special. 11.30 Winning With Wilkie. 1.25 p.m. Anglia News. 2.00 Houseparty. 3.20 The Andy Williams Show. 5.15 Mr. and Mrs. 6.00 About Anglia. 8.00 Rafferty. 11.40 Baretta. 12.40 a.m. The Big Question.

ATV

10.00 a.m. Something Different. 10.15 In a Balloon over the Alps. 10.40 Clue Club. 11.00 Puzzle Party. 11.25 Westway. 11.50 Professor Balthazar. 1.20 p.m. ATV Newsdesk. 3.20 Paint Along With Nancy. 3.50 The Sullivans. 5.15 Mr. and Mrs. 6.00 ATV Today. 8.00 Quincy. 10.40 Citizen's Rights. 11.15 Drive-In.

BORDER

9.35 a.m. Skippy. 10.00 A Career In Communications. 10.20 So We Are Different. 10.55 You Can Make It. 11.20 Westway. 11.45 Oscar. †1.20 p.m. Border News. 2.00 Houseparty. 3.20 Survival. 5.15 Mr. and Mrs. 6.00 Lookaround Wednesday. 8.00 Rafferty. 11.40 Gibbsville. †12.35 a.m. Border News Summary.

CHANNEL

1.18 p.m. Channel Lunchtime News and What's On Where. 3.20 Friends of Man. 6.00 Channel News. 6.10 Castaway. 8.00 Rafferty. 9.00 Review. 10.38 Channel Late News. 11.35 Survival Special. 12.30 a.m. News and Weather in French followed by Epilogue.

GRAMPIAN

9.55 a.m. First Thing. 10.00 Tandarra. 10.55 You Can Make It. 11.20 Westway. 11.45 Oscar and the Great Wooferoo. 1.20 p.m. Grampian News Headlines. 3.20 Paint Along With Nancy. 3.50 Survival. 6.00 Grampian Today. 6.30 Police Newsroom. 8.00 Rafferty. 11.40 Reflections. 11.45 An Audience With Jasper Carrot.

GRANADA

9.30 a.m. Sesame Street. 10.30 The Nature of Things. 11.20 Skippy. 11.45 Cartoontime. 1.20 p.m. This Is Your Right with Lord Winstanley. 3.20 Untamed World. 5.10 This Is Your Right (second chance to see today's lunchtime programme). 5.15 Crossroads. 6.03 Granada Reports. 6.30 Mr. and Mrs. 8.00 Rafferty. 11.40 Gibbsville.

HTV

10.00 a.m. Sesame Street. 10.55 You Can Make It. 11.20 Voices In Orbit. 11.45 Oscar and the Great Wooferoo. 1.20 p.m. Report West Headlines. 1.25 Report Wales Headlines. 2.00 Houseparty. 3.20 Survival. 5.15 Dodo the Space Kid. 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 Havoc. 8.00 *Rafferty.* 11.40 *Eve.* 12.10 a.m. The Practice.

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 p.m. Penawdau Newyddion y Dydd. 4.20 Miri Mawr. 4.30-4.45 Un Tro. 6.00-6.15 Y Dydd.

HTV West—As HTV General Service except: 1.20-1.30 p.m. Report West Headlines. 6.00-6.30 Report West.

SCOTTISH

9.45 a.m. Once Upon a Circus. 10.25 The Stationary Ark. 10.55 You Can Make It. 11.20 Westway. 11.45 Oscar and the Great Wooleroo. 1.25 p.m. News and Road Report. 2.00 Women Only. 3.20 Paint Along With Nancy. 3.50 Mr. and Mrs. 5.15 Pipet and Friends. 5.20 Crossroads. 6.00 Scotland Today. 6.30 Report. 8.00 Quincy. 11.40 Late Call. 11.50 Pro-Celebrity Snooker.

SOUTHERN

9.35 a.m. Skippy. 10.00 Apaches. 10.25 Sinbad Junior. 10.35 The Invaders. 11.30 Winning With Wilkie. 1.20 p.m. Southern News. 2.00 Houseparty. 3.20 Survival. 5.15 Betty Boop. 5.20 Crossroads. 6.00 Day by Day. 11.40 Southern News Extra. 11.50 The Butlins Grand Masters Darts Championships.

TYNE TEES

9.25 a.m. The Good Word followed by North East News Headlines. 9.30 Stars On Ice. †10.00 Harold Lloyd's World of Comedy. 10.55 Proud Predators. 11.20 Westway. 11.45 Oscar and the Great Wooferoo. 1.20 p.m. North East News and Lookaround. 2.00 Women Only. 3.20 The *Odd Couple. 5.15 Happy Days.* 6.00 Northern Life. 8.00 Rafferty. 11.40 Landscape. 12.10 a.m. Epilogue.

ULSTER

10.20 a.m. Tree Top Tales. 10.30 The Secret Lives of Waldo Kitty. 10.55 You Can Make It. 11.20 Westway. 11.45 Oscar. 1.20 p.m. Lunchtime. 3.20 Get Out of Town. 3.50 Paint Along With Nancy. *4.18 Ulster News Headlines. 5.15 Solo One.* 6.00 Ulster Television News. 6.05 Crossroads. 6.30 Reports. 8.00 Rafferty. 11.40 Make It Count. 12.05 a.m. News at Bedtime.

WESTWARD

†9.50 a.m. Conquest of the Air. 10.55 You Can Make It. 11.20 Westway. 11.45 Oscar. 12.27 p.m. Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 3.25 Friends of Man. 6.00 Westward Diary. 8.00 Rafferty. 10.38 Westward Late News. 11.35 Survival Special. 12.30 a.m. Faith for Life.

YORKSHIRE

9.30 a.m. Canada—Five Portraits. 10.25 The Undersea Adventures of Captain Nemo. 10.30 Little House on the Prairie. 11.30 The Electric Theatre Show. 1.20 p.m. Calendar News. 3.20 Houseparty. 5.15 Mr. and Mrs. 6.00 Calendar (Emley Moor and Belmont editions). 8.00 Rafferty. 11.40 Darts. 12.10 a.m. Handle With Care.

RADIO 1 247m

(S) Stereophonic broadcast

5.00 a.m. As Radio 2. 7.02 Noel Edmonds. 9.00 Simon Bates. 11.31 Paul Burnett including 12.30 p.m. Newsbeat. 2.00 Tony Blackburn. 4.31 Dave Lee Travis including 5.30 Newsbeat. 7.00 Sing Something Simple (S) (Joins Radio 2). 10.02 John Peel (S). 12.00-2.02 a.m. As Radio 2.

VHF Radios 1 and 2: 5.00 a.m. With Radio 2, including 1.55 p.m. Good Listening. 10.00 With Radio 1. 12.00-2.02 a.m. With Radio 2.

Radio 1 Scotland Only—8.45 p.m. Semprini Serenade (continued from Radio 2). 9.02 Bing, part 14: On the Road Again. 9.55-10.02 Sports Desk.

RADIO 2 1,500m and VHF

5.00 a.m. News Summary. 5.02 Ray Moore with The Early Show (S) including 6.15 Pause for Thought. 7.32 Terry Wogan (S) including 8.27 Racing Bulletin and 8.45 Pause for Thought. 10.02 Jimmy Young (S). 12.15 p.m. Waggoners' Walk. 12.30 Pete Murray's Open House (S) including 1.45 Sports Desk. 2.30 David Hamilton (S) including 2.45 and 3.45 Sports Desk. 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.47 John Dunn (S) including 5.45 Sports Desk. 6.45 Sports Desk. 7.02 Sing Something Simple (S). 7.30 Listen to the Band (S). 8.15 Semprini Serenade (S). 9.02 *Bing* (S). 9.55 Sports Desk. 10.02 I'm Sorry I'll Read That Again. 10.30 Hubert Gregg says Thanks for the Memory. 11.02 Brian Matthew introduces Round Midnight, including 12.00 News. 2.00-2.02 a.m. News Summary.

Radio 2 Scotland Only—8.45-10.00 p.m. Sportsound Special (1484kHz and VHF only).

RADIO 3 464m, Stereo & VHF

†Medium Wave only

†6.55 a.m. Weather. 7.00 News. 7.05 Your Midweek Choice, part 1 (S). 8.00 News. 8.05 Your Midweek Choice, part 2 (S). 9.00 News. 9.05 This Week's Composer: Nielson (S). 10.00 Holiday Special (S). 10.20 Music for Organ (S). 11.05 Midday Concert, part 1 (S). 12.05 p.m. In Short. 12.15 Midday Concert, part 2 (S). 1.00 News. 1.05 Concert Hall (S). 2.00 The Exotic Sound Of . . . the Pear Leaf on record (S). 2.05 Haydn String Quartets. 2.55 From the Proms 77 (S). 4.15 Smetana chamber music (S). 4.55 Building a Library (S). †5.45 Homeward Bound. †6.05 News. †6.10 Homeward Bound (continued). †6.30 Lifelines. 7.30 *BBC Scottish Symphony Orchestra, part 1:* Beethoven (S). 8.15 The Arts Worldwide. 8.35 BBC Scottish Symphony Orchestra, part 2: Wagner (S). 9.45 Scientifically Speaking. 10.30 Chopin and Strauss cello and piano recital (S). 11.25 News. 11.30-11.35 And Tonight's Schubert Song on record.

Radio 3 VHF only—6.00-7.00 a.m. and 5.45-7.30 p.m. Open University.

RADIO 4

434m, 330m, 285m and VHF

6.15 a.m. News. 6.17 Farming To-day. 6.35 Up to the Hour. 6.52 (VHF) Regional News. 7.00 News. 7.10 To-day. 7.35 Up to the Hour (contd.). 7.52 (VHF) Regional News. 8.00 News. 8.10 To-day. 8.35 Yesterday in Parliament. 9.00 News. 9.05 The Living World. 9.35 Songbook (S). 10.00 News. *10.05 In Britain Now.* 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Bestseller. 11.50 Tales and Legends of the Highlands. 12.00 News. 12.02 p.m. You and Yours. 12.27 The Enchanting World of Hinge and Bracket. †12.55 Weather, programme news VHF (except London and SE) Regional News. 1.00 The World at One. 1.30 The Archers. 1.45 Woman's Hour *including* 2.00-2.02 News. 2.45 Listen With Mother. 3.00 News. 3.05 Afternoon Theatre (S). 3.50 Choral Evensong from Southwark Cathedral. 4.35 Story Time. 5.00 PM Reports. 5.40 Serendipity. †5.55 Weather, programme news (VHF) Regional News. 6.00 News. 6.30 Quote . . . Unquote (S). 7.00 News. 7.05 The Archers. 7.20 File on 4. 8.00 The Bombers: Retrospective assessment of their use in the war. 9.00 Science Now. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World To-night. 10.30 The Hitch-Hiker's Guide to the Galaxy (S). 11.00 A Book at Bedtime. 11.15 The Financial World To-night. 11.30 To-day in Parliament. 12.00 News.

VHF—6.15-8.35 a.m. With Medium Wave. 8.35 *News Headlines: Weather: Papers:* Sport. 8.45 The Glums. 9.00 Close with Medium Wave.

BBC Radio London

206m and 94.9 VHF

6.00 a.m. As Radio 2. 6.30 Rush Hour. 9.00 Holiday Scene. 9.20 London Live. 11.03 In Town. 12.03 p.m. Call In. 2.03 206 Showcase. 4.03 Home Run. 6.10 Look, Stop, Listen. 7.30 In Town (as 11.03 a.m.). 8.30 In Concert. 10.03 Late Night London. 12.00 As Radio 2. 12.05 Question Time. 1.00-Close As Radio 2.

London Broadcasting

261m and 97.3 VHF

5.00 a.m. Morning Music. 6.00 A.M.: non-stop news, travel, sport, reviews, information. 10.00 Brian Hayes. 1.00 p.m. LBC Reports including George Gale's *3 O'clock Call.* 8.00 *After 8.* 9.00 *Nightline.* 1.00-5.00 a.m. Night-Extra with Adrian Scott.

Capital Radio

194m and 95.8 VHF

6.00 a.m. Graham Dene's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash (S). 3.00 Roger Scott (S). 7.00 London Today (S). 7.30 Adrian Love's *Open Line.* 9.00 *Your Mother Wouldn't* Like It with Nicky Horne (S). 11.00 Tony Myatt's Late Show (S). 2.00 a.m. Duncan Johnson's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 3,634

ACROSS

1 Person beginning month with hard water (6)
4 Chap at the inn with stable prospects (6)
8 Cup for the masses (7)
9 Initially very important to read instrument ordering lactic acid (7)
11 Revert to some fair amusement (10)
12 Simple key to a southern youth leader (4)
13 Drink given by crime squad to the Queen (5)
14 Wood certainly provides part of rigging (8)
16 Non-paying customer passed on to director (8)
18 Plate in service with parent given clear backing (5)
20 No soldiers to sign for the future? (4)
21 Die fighting at the front to conform (4, 2, 4)
23 Two girls join in casing a joint (7)
24 South Africa against girl reaching grassland (7)
25 Boring rubbish that could bring the house down (3, 3)
26 Notice an opening coming (6)

DOWN

1 Sound expertise? By no means (5)
2 Looked after by servant saying farewell to Mr. Heath (7)
3 Prepare to fire gun (colt) at child's plaything (9)
5 Smooth oil on water (5)
6 Bounty was a great ship (7)
7 Bird's pledge to piece on board (5, 4)
10 Charge an instrument that's designed to get by an Inspector (3, 6)
13 Best part put on paper (5, 4)
15 Salesman over border has additional carpeting (9)
17 Studies cathedral in close fashion (7)
19 Cultivation lasts as far as one's later years (7)
21 Lubricant of upset page (5)
22 Composition maintained without any cricket practice (5)

Solution to Puzzle No. 3,633

ENTERTAINMENT GUIDE

C.C. These theatres accept certain credit cards by telephone or at the box office.

Television

Tucking away the future

by CHRIS DUNKLEY

Every now and then a programme is produced which seems from all the advance publicity in Radio Times, Press handouts, preview columns and so on to promise to be quite an ordinary, unremarkable thing, but which then sneaks out of the cathode ray tube into your sitting room and—in a manner of speaking — whacks you round the ear with a cricket bat.

It happened on Friday with an edition of BBC2's *Horizon* called "Now The Chips Are Down."

By its very nature, of course, *Horizon* is rather more likely than most programmes to produce this sort of effect. Being (as I assume, anyway) concerned with the idea of keeping the intelligent layman provided with continuously revised and relatively easily interpreted maps of territories being explored by the sciences, it is a lot more likely than — say — *Gardeners' World* or *Coronation Street* to present the viewer with mind-blowing ideas.

BBC1's *To-morrow's World*, which recently celebrated its 500th edition, may occasionally come up with a programme having a similar effect. But the early *evening slot (implying a* lot of child viewers), and the long standing traditions of *To-morrow's World*, have brought to the series the sort of mechanical geewhizzery that was once, and to some extent still is, characteristic of the Science *Museum. There is nothing wrong* with that: *Tomorrow's World* is not only informative but often highly entertaining.

The great strength of *Horizon*, however, is that its editors, including Simon Campbell-Jones who is now in charge, always seem to have been willing—in fact keen—to move outside the purely mechanical or theoretical aspects of science and to look piercingly and often sceptically at the social applications and effects of whatever scientific marvel or horror may be the subject of the week.

Last week it was microprocessors, and if Edward Goldwyn's account of the development of these little silicon chips (hence the title) is anywhere near accurate then the extension of *Horizon* to allow for a studio discussion was, however unusual, still nothing like enough. It was, in fact, one of those rare programmes which are so interesting that even though they impress you greatly they also leave you seething with annoyance that they have not gone a great deal further.

"Now The Chips Are Down" begged at least as many questions as it answered. It started with a history of the microprocessor and in the first few moments declared that they are "the reason why Japan is abandoning its ship building programme." Unless I missed something, this odd claim was one of several things the programme never explained. Another was exactly what a silicon chip is: it may be enough for some to be told that it replaces transistors which in turn replaced valves—but others among us still need to be told exactly what transistors and valves do. (Or did.)

The growth of the chip industry in "Silicon Valley," spreading outwards from Professor Shockley at Stanford University, via the Fairchild Company, was graphically conveyed. The industrial process by which the chips are manufactured was intriguing, but less clearly explained: nobody ever said what silicon is, so hearing that a second layer in the microcircuit "grows" over the first was a little baffling.

Yet haste was understandable, because it was the uses of the chips that really concerned Goldwyn: it was, he told us, the silicon chip that made possible pocket calculators and digital watches, and with the digital watch Europe lost a £200m. industry to America. It was the silicon chip which was used to turn petrol pumps into automatic dispensers—thus making pump attendants unnecessary.

Now supermarket checkouts are moving in the same direction, and we saw warehouses being run by machines using chips. *Horizon* did not actually show a mechanical television critic, but it did show how two or three "word processors" can do the work of 10 typists, given a series of standardised paragraphs. Other industrial applications rapidly became obvious, and the programme even touched on automated medical diagnosis and farming, showing a tractor eerily ploughing a field without benefit of driver.

The programme's normal 50 minutes came to an end with the assertion that there had been a terrifying silence from the British government on the question of what effect this revolution would have on society. And for once the word "revolution" seemed quite justified: the programme had done enough to show that the effects of unlimited use of microprocessors could conceivably be as profound as the effects of the first industrial revolution.

The studio discussion, chaired by Richard Kershaw, which followed had a highly impromptu look and feel about it, which was not particularly surprising since it was not billed. Nonetheless it did manage to cover a lot of ground: the organisation of a society in which lifelong work may no longer be common; the problem of distributing wealth once machines have taken over much of the work; Britain's standing in the hardware and software markets, and so on.

It was a brave and certainly an interesting attempt to provide a suitable commentary on the startling facts brought together in Goldwyn's programme. And it should be emphasised that the programme *was* one of the most arresting to have been broadcast in years.

It is possible, I suppose, that it was a lot of fuss about nothing; or at any rate that *Horizon* had vastly over-estimated the significance of microprocessors. But if so the programme should never have been shown.

If *not*, and the importance of these little chips was estimated fairly accurately, then the criticism that must be made is of a broadcasting system which will allow such material to be tucked away in a programme on an avowedly minority channel, not even starting until 10.15 by which time most viewers have switched off and gone to call the cat in from someone else's garden.

It is as though the Financial Times were to have a full account of an impending 1978 Wall Street crash, and insist upon tucking it away at the bottom of page 29 because that happens to be the place for news about foreign banking.

Perish the thought that the workings of Fleet Street as a whole should be held up as an example to television, yet it is *worth noting that when the* Rome correspondent (or the political editor, or the science correspondent) of a newspaper feels that he has an item worthy of leading the paper, he will say so to the editor and stand a fair chance of being given plenty of space on the front page.

What this *Horizon* really needed was a pair of 50 minute programmes plus a 50 minute discussion on successive nights—or better still a whole evening devoted to the topic. Furthermore the duty of the BBC as journalists was either to put it on BBC1 or to promote it a lot more heavily on BBC2.

The argument of the broadcasting mandarins against a flexible scheduling system allowing this sort of thing to happen much more often is, I suspect, a lot of doctrinaire claptrap, having rather more to do with anxiety over ratings than any consideration of excellence.

The irony is that since the very beginning of BBC television, drama has occupied a special place, with few of the restrictions suffered by current affairs or documentaries in terms of tailoring material to fit slots. Thus James Cellan Jones's production of George Farquhar's 270-year-old Restoration comedy *The Beaux Stratagem* was able to run for two hours and five minutes right through peak viewing time on BBC1 on Sunday night.

As it happens it was a highly successful production, having a big cast with no weak links, beautiful design by Tony Abbott with every scene photographed against a dark brown or black background which suits colour *television wonderfully well, and* with direction from David Jones which sustained the required pace but eschewed the tedious tricks which some other directors have felt necessary in televising Restoration comedy. The play itself has lasted incredibly well, perhaps because it contains more steel than most of its contemporaries.

It was very pleasant to finish the week with a whole evening of Farquhar. But surely we should be allowed to spend an evening also—just one—on the course of the current industrial revolution which, according to *Horizon*, is going to alter not just the lives of our distant descendants, but our own—and pretty soon.

Brenda Bruce, Tom Conti, Ian Ogilvy and Zoe Wanamaker in 'The Beaux' Stratagem.'

Chicken Soup with Barley

by B. A. YOUNG

Leonard Burt

Martin Friend, Adrienne Posta and Barbara Young

Sarah Kahn and Harry Kahn, the heads of the family whose fortunes Arnold Wesker follows in his Trilogy, meet defeat in different ways. Weak, idle, shifty Harry sinks willingly into his final decrepitude, not caring (as Sarah says) to live and not caring to die. Sarah, who has tried all his life to nag him into manhood, remains unchanged over the 20 years' span of the play, a convinced Communist with no knowledge of economics *but a sentimental belief that* Communism — Socialism, she calls it—will bring universal happiness at once, and a devoted mother who, against any evidence to the contrary, is sure of the sterling values of her children. They are splendidly played in their different ways by Barbara Young, erect, dictatorial, certain of the socially therapeutic value of cups of tea, and Martin Friend, capable even after two strokes of hysterical bad temper if thwarted, but not capable of controlling his bowels.

Around them, their society disintegrates. Monty, most aggressive of the anti-Fascists in 1936, runs a greengrocers in 1955; Dave, the only one to fight in Spain, is disillusioned by Stalinism and builds hand-made furniture in Norfolk, taking Sarah's daughter Ada with him. Young Ronnie, who at school was to be the great Socialist novelist, becomes an unhappy chef in Paris, disillusioned not only with the Party but with life.

Wesker charts this progress with masterly understanding. His characters are portrayed, not necessarily in prolific detail, but in just as much well-chosen detail to make them live as part of the landscape of East End society. Life in the Kahns' home involves one as if one were a long-standing part of it, whether in the exciting, hopeful days in 1936, when the revolution seems at hand and the terrible sound of militant politics grates through the door, or 20 years later when despair is kept at bay by Sarah's strength, her naive creed sustaining her as once a bowl of chicken soup with barley sustained her sick girl.

The musical speech of the first-generation-English East Enders is handled with great skill, its intrinsic humour never self-conscious or intrusive, *(though I did feel that some of the comrades were using vowel* sounds that would have seemed a bit posh to their mates.

The production, under Anthony Cornish, is a good one, inhabited by a company easy to believe in. Perhaps Frank Baker *looks a good deal too old to be* a 16-year-old schoolboy in Act Two (though it's fascinating to watch him in the mannerisms that, when *Roots* comes next month, we shall see copied by Beatie Bryant); in the final act, his flamboyant ambitions discarded, he moved me more with his simple distress than with his extemporised poetry ten years before. As his sister Ada, Adrienne Posta is truer to life as the gamine activist in her teens than later as the *immensely smart political drop-out* complaining of her fellow-workers' *lipstick*.

Bishopsgate Hall

Hamish Milne by DOMINIC GILL

Hamish Milne is the pianist whose record debut of Liszt-Busoni and Reubke on Oiseau-Lyre made such a striking impression last year. He is not new to the London concert platform, but his appearances are comparatively rare—too rare for a pianist of his unusual gifts: quick sympathy and an impeccable technique in the service of an authentic full-blown grand-romantic manner, never over-blown, but carefully controlled.

Milne's second record, recently released (a double album on CRD 1038/39), is devoted to a survey of the work of Nicholas Medtner (1880-1951)—and in his lunchtime programme for the City Music Society yesterday he included three pieces from the disc, *Three Hymns in Praise of Toil*, short, affectionately Rakhmaninovian essays which Rakhmaninov himself reputedly much admired, delivered by Milne with attractive poise and lyrical warmth.

He had begun with Busoni's arrangement of the Bach "St. Ann" prelude and fugue grandly conceived and powerfully weighted; and by contrast a Chopin A flat Ballade more constrained, at its climax even rather oddly understated. But his finale of Schumann's *Presto passionato* op. posth. (a rejected last movement for the G minor sonata) took fire: splendid account, beautifully shaped and detailed, nicely capped by the Liszt-Schumann *Widmung* for an encore. Milne has played enough in little halls around town: we should hear him in the Elizabeth Hall soon.

A practical note: however sentimentally attached the City Music Society may be to the shrill treble and thin, tangy middle register of Myra Hess's old boudoir Steinway, the time is surely not far off when they should think of matching the high musical calibre of their series with a proper concert grand?

Air Gallery, WC2

Campiello Band

After some lighter-hearted forays into crypts and foyers at the National Theatre, the Serpentine Gallery and St. John's, Smith Square, Michael Nyman's Campiello Band has settled down into the role originally conceived for it as a "serious" (though by no means humourless) experimental group. The ensemble *still plays the same* bizarre collection of instruments: but the camp in Campiello has cooled; the more excruciating Verdi arrangements have been discarded; and even the players of the non-chromatic instruments like curtals, shawm and bombard, as well as those of the tricky rebecs and lyra de braccio, have been persuaded, more or less successfully, of the virtues of playing in tune.

The programme on Monday of the Campiello's first serious London concert, given at the Air Gallery in Shaftesbury Avenue, was devised and composed by Nyman himself, and strictly speaking contained no arrangements at all. Closest perhaps to the genre, at least of sassy re-arrangement, was *In Re Don Giovanni*—the first 16 bars of the Catalogue Aria dismantled and exuberantly reassembled for piano, two violins, banjo, euphonium, bass clarinet and chinese flute: though in its new form, far more like a mediaeval Paul Anka's *Diana* than anything from Mozart.

It was an evening, indeed, of familiar harmonic sequences made still more familiar; variations on a tonal theme, treated with simple chromatic reverence, laid out in simple patterns embroidered in simple additive textures—no working of great *sophistication*, but *nothing* either precious or coy; a refreshingly good-humoured programme of 14 short pieces, none long enough to labour, brief facets and reflections of a single view.

The most abstract of the conceits, a single piece called *A Walk Through H*, part of a larger projected work, gave a formal framework to the sequence, re-appearing four times in different guises: at first a long-sustained, slow-shifting chord held against piano rippling—like Philip Glass with a spoonful of sweetener, but less busy, less insistent; a faster, *jogging 15-note motif*, against the same rippling piano, quick, lucid mechanism; the third, the biggest, most jubilant variation, punctuated by solos, a moment of sudden dramatic force; the last, a swirl of 16th-notes, virtuoso elaboration, driven to a sudden, breathless end.

And along the way, beside the *Walk*, variety of views, even if essentially of the same scenery—some of them unexpected (*Is It a Fact That Mice are attracted by Music*, the most grandly orchestral of the pieces, offered a positively Wagnerian solo for amplified rebec in juicy counterpoint with the ensemble); others less adventurous, and as the sequence progressed, a shade more predictable. *Pretty Talk for George Brecht* was one exhilarating exception: a musical layer-cake on the Capern's Birdseed label, very funny, and in a wry way, very touching. Repetitions can, and do, become repetitious.

DOMINIC GILL

Tommy Steele in G & S

Tommy Steele is to play Jack Point in a large scale open air production of Gilbert and Sullivan's *The Yeomen of the Guard* in the moat of the Tower of London.

The production, by Anthony Besch and involving several of the country's leading opera singers, will have a four week season from July 17 to August 12.

It is being presented by the City Arts Trust to mark the 900th anniversary of the Tower of London's White Tower and will be one of the highlights of this year's City of London Festival.

Mr. Steele told a Press conference yesterday that he had cancelled engagements in Las Vegas and Lake Tahoe to play Jack Point.

He would be appearing for a lot less than his usual fee. "But I don't think you can equate the honour and experience with monetary terms," he said.

Was he worried about appearing with professional opera singers? "My main problem is not the notes so much as the diction. Unfortunately, it is not in Italian but in English, which is the worst of my languages."

The producton is being sponsored by James Burrough Ltd., distillers of Beafeater Gin and represents the company's most important sponsorship involvement to date.

A stage will be erected in the Tower Moat, with the Tower providing a spectacular backdrop. There will be seating for 3,000 enabling a potential audience of more than 70,000 for the 24 performances.

Soloists will include Anne Collins, Paul Hudson, Terry Jenkins, Della Jones, Laureen Livingstone and Tom McDonnell. There will be a professional orchestra and chorus.

Festival Hall

Perlman and Ashkenazy

After their much-praised recording of all the Beethoven sonatas for violin and piano, Itzhak Perlman and Vladimir Ashkenazy are repeating the cycle on the South Bank. They began on Monday with two of the little op. 12 sonatas and the "Kreutzer," with the rest to come on the next two Mondays.

The studied sympathy of their duo-playing does not disguise their distinct musical personalities. Perlman is all serenity, long-breathed lines, finely even tone; if he experiments it is only in private, and the public results are self-effacingly secure. Were it not for the striking sweetness and delicacy of the sound he makes the performer would disappear behind the music. Ashkenazy's finesses are usually more overt: he conveys a delighted surprise at coming upon this or that passage, and turns it to a new angle as if to view it better. In the D major Sonata of op. 12 on Monday he was unwontedly cautious, as if *uncertain at that stage how much he* could do without overbalancing the violin—or perhaps the music, which is not the strongest Beethoven, simply prompted nothing more. Even the Rondo was only moderately sprightly.

Both players warmed more to the third of the op. 12 sonatas, the one in E-flat. Ashkenazy matched Perlman's poise in the Adagio with a wonderfully *liquid bass-line which spoke* tenderly in the softest possible undertone. He was tempted to scamper ahead in the Rondo; the semiquavers took possession of his fingers, leaving the violin to sound unfairly tame and sturdy.

It was left to the "Kreutzer" Sonata to draw on their full powers. The outer movements were brilliantly fleet, but not so much urgent, as simply mercurial: showers of silver broken by brief, intimate reflections—never heavily pondered, but stated quietly. The centre of gravity was fixed unambiguously in the great Andante con Variazioni, which trilled and sang more and more richly, each variation seeming to take up the threads of the last without an intervening breath. The movement took on a sustained radiance, and the darker suggestions of the music became luminous in it. Not the only possible view of the Sonata, but a takingly lovely one, and realised with effortless grace.

DAVID MURRAY

Four Oscars for 'Annie'

The only controversial note struck at the 50th annual award of "Oscars" by the Academy of Motion Picture Arts and Sciences in Los Angeles on Monday night came from actress Vanessa Redgrave who, when receiving an Oscar as best supporting actress for her performance in *Julia* made an acceptance speech which was regarded as *"political," by the 500-strong* audience.

For the rest, the awards were typically unadventurous. As expected, *Annie Hall* came out top, winning the best film award, the best actress award for star Diane Keaton, and two Oscars, for best director and best scriptwriter, for Woody Allen.

It was perhaps surprising that Richard Dreyfuss was voted best actor for *The Goodbye Girl*, but once again it was inevitable that *Star Wars* should do well in the technical categories, picking up six awards—for sound effects, special effects, art direction, costume design, scoring and editing.

For the second year running Jason Robards was voted best supporting actor, for his role in *Julia*. The best song was "You light up my life;" the best foreign language film, *Madame Rosa*, from France, the best live action short, *"I'll find a way,"* from Canada, and the best animated short, *Sand Castle* also from Canada.

A.T.

Josiah Wedgwood exhibition at the Science Museum

One of the most important and extensive exhibitions in the 220-year-old history of the Wedgwood Company *is being held* at the Science Museum, S.W.7, until September 24. The exhibition traces the life and works of Josiah Wedgwood (1730-1795), founder of the world-famous pottery company. Numerous aspects of the man known as the "father of English potters" are depicted—including his pioneering developments and his major contributions to the arts; also his personal life and humanitarian principles.

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Telegrams: Finantimo, London PS4. Telex: 886341/2, 883897
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Wednesday April 5 1978

The monetary run-up

THE MONETARY indicators published yesterday, the last before next week's Budget, are both better and worse than they appear. Take first the drop in the official reserve of foreign exchange last month. The net drop, after omitting various special transactions, is $100m. smaller than the gross drop of $381m. and is tiny compared with a total of around $20bn. Movements of this size, it can be argued, especially at a time when exchange markets are exceptionally unsettled, are too small to mean much one way or the other.

On the other hand, the drop of $281m. stands against a rise of $236m. in February and is the first net drop for a good many months past. The change in direction may point to a change in the climate of opinion about the outlook for sterling. What is more, the books were closed for the month on March 28—before, that is, the fairly heavy pressure on sterling which occurred at the end of last week and, to a lesser extent, at the beginning of this. It may turn out that the actual cost of intervention by the authorities was not large and that leads and lags will be reversed once the lesson of that determined intervention—that there is no intention of allowing the exchange rate to slide precipitately down—has been grasped. But sterling and the reserves are now clearly sensitive to the Budget proposals in a way that they were not a few months ago.

Bank lending

The banking figures, similarly look reasonably encouraging but leave room for the pessimists to remain pessimistic. There are two opposite kinds of pessimism, of course, about the prospect for economic recovery and the prospect of keeping inflation under control. So far as the former is concerned, it may seem disappointing that the sterling advances of the London clearing banks are (after rough adjustment for seasonal factors) up by rather less than in recent months and that the increase has gone mainly to the services sector. But the financial position of companies has improved considerably and their need to call heavily on bank finance—apart from the fact that yesterday's figures apply only to the clearing banks—will depend largely on the maintenance of their investment programmes.

So far as the control of inflation goes, the figure which is of more concern is the eligible liabilities of the banking system as a whole, which provide a rough guide to the growth of the money supply on the broader of the two official definitions. This has sometimes overstated and sometimes understated the growth of M3, and should be taken with a large pinch of salt. But in the month before last its rate of increase fell (probably because of the reversal of special factors) from nearly 2 to under 1½ per cent., and last month it decelerated further to 0.83 per cent. Since the actual money supply figures will not be published until after the Budget, this is the best indicator we have until then.

Money supply

Provided that it is a reasonably accurate guide to the movement of M3, the official position is this. The money supply on this broader definition rose faster than the rate laid down for several months for special reasons—first, the heavy inflow of funds from abroad, then window-dressing by the banks—so that growth over the financial year will probably exceed the original target of 9-13 per cent. On the other hand, if it is now back again to a reasonable rate of advance, there is no point in taking drastic steps to hit a target laid down 12 months ago. That is the official view. But there are those who hold that strict adherence to targets is necessary to maintain confidence in the Government's commitment to monetary moderation and that the much faster growth in alternative measures of the money stock must be taken seriously. Since their opinions influence markets and the Government has to sell stock, Mr. Healey will have to take account of them in his Budget—not only in his fiscal measures, which may well be acceptable, but in his new target for monetary growth.

A new policy on roads

THE GOVERNMENT appears to have gone about as far as could reasonably be expected towards allaying genuine public unease over the aims and assumptions of the trunk roads building programme and the methods of implementing it. The recommendations of the Leitch committee on the methods used for forecasting road traffic, appraising new road schemes, choosing routes, and deciding design standards have been accepted. A new standing advisory committee, under Sir George Leitch's chairmanship, is being set up to keep these matters under continuing review. Proposals have been drawn up in consultation with the Council on Tribunals with a view to improving procedures at road inquiries. And the first of a new annual series of White Papers on roads policy has been published, setting out among other matters the results of the review of the roads programme in the light of the Government's more selective approach to road construction and the recommendations of the Leitch committee.

The result of these changes will be to create stiffer hurdles for future road proposals—already 34 schemes costing an estimated £90m. have been dropped to be replaced in many instances by less ambitious proposals costing in all some £20m., while the standards of many others have been reduced—and to provide a more informed and more open examination of road proposals at public inquiries.

Essential role

What the Government has not done, and what it could not do, is to change the basic system by which roads policy is determined and implemented It is for Ministers answerable to Parliament to decide national policy and to draw up priorities. Neither these broader aspects nor technical issues such as the methods of road assessment which are applied nationally can be suitably debated at local inquiries. New roads can confer considerable benefits on a large number of people over a wide area, but their planning and construction can be extremely disturbing for those living in the areas through which they are to be laid. The role of a local inquiry is essentially that of providing an opportunity for these who would be adversely affected to express their objections before a final decision is made.

Sceptical

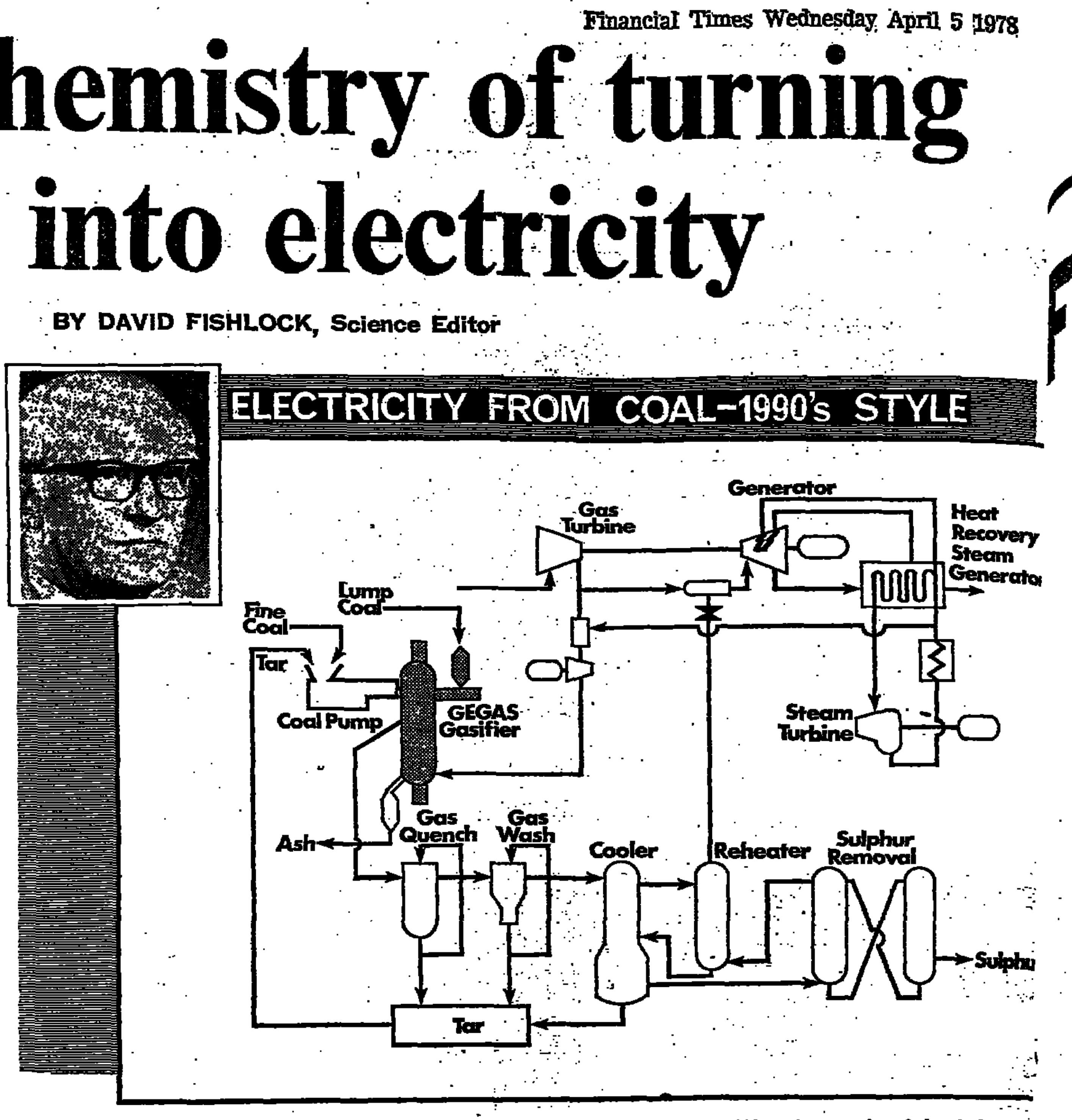
The conduct of these inquiries must however not only be fair but also be seen to be fair; and this in particular means that objectors should have an adequate opportunity to test the road planners case both for building a new road and for choosing a particular route. The Government proposes to meet this in, basically, three ways. First, the new annual White Papers of roads policy are intended to give both MP's and local interests a clearer and more detailed account of the national roads programme—though it remains to be seen whether there will be any more Parliamentary discussion of these matters than in the past.

Secondly, procedure at inquiries is to be changed in a number of ways, including the appointment of Inspectors by the Lord Chancellor and the holding of pre-inquiry hearings to decide the programme as is now done in major planning inquiries. Thirdly, the Government has undertaken to make much more information available about, among other aspects, possible alternative routes and how its forecasts and standards apply to a particular scheme in its local setting.

These improvements are unlikely to appease the anti-roads lobby although by raising public confidence in the conduct of roads inquiries they may help to isolate the more fanatical opponents. The irony is that the changes are being made when the roads programme is well past its peak and when, according to the Transport Minister yesterday, the main inter-urban needs may be within a decade or so of being fully met. The more sceptical public attitude towards road building could well reflect a sense of how much has already been accomplished, and the Government is right to have seen what could be reasonably done to accommodate it.

A new chemistry of turning coal into electricity

BY DAVID FISHLOCK, Science Editor



How General Electric of the U.S. envisages electricity will be generated by the late 1980s, using a series of chemical react... integrated with gas and small steam turbines. Top left is Dr. Roland Schmitt, head of energy research at GE's corpora... research and development centre.

ON A hillside near Schenectady about 160 miles north of New York a research team has begun to demonstrate what it believes will be the technology of a new kind of electricity power station in about ten years' time. For Britain, the pilot plant has two important implications at this stage. First, its further development could draw heavily on research in coal utilisation being done in Britain. Second, it could point a way to overcome one of the most depressing difficulties in power station construction in Britain to-day—the low productivity on power station construction sites.

For the past four years researchers with U.S. General Electric's corporate research and development centre near Schenectady have been developing a new kind of coal-fired power station. Their goals have assumed that environmental restraints on burning fossil fuels in future are going to be very tough in the U.S.; that higher efficiencies can be achieved; that plants may have to use coals dirtier than those burnt to-day; and that the elecricity industry will want highly automated generating plant.

In the last few weeks the team, directed by Dr. Roland Schmitt, responsible for the energy research programme, has demonstrated as an integrated system the key components of a new coal-burning technology. What they have is a system which Schmitt sees as the quickest route to a new kind of fossil-fuel generating plant for the U.S. electricity supply industry. In essence it is much closer to chemical technology than conventional power station technology.

Problem of ash

The starting point, says Dr. Schmitt, was whether the company could find a new way of "throwing coal into a combustor." Both the U.S. and Britain have worked on the idea of a coal-fed gas turbine, in which finely powdered coal is fed into the combustion chamber instead of a liquid or gaseous fuel. The big problem is ash—the speed with which it erodes the costly materials used in a gas turbine. General Electric has been searching for a new clean fuel to feed the gas turbine—one of its big product lines—since 1945.

Its answer is a new kind of gasifier, first demonstrated at the research centre about two years ago. Although a direct descendant of a technology for making a fuel gas from coal that goes back 100 years—and thus a less radical departure than the fluidised-bed type of gasifier under development in Britain — it nevertheless includes big technological advances.

For example, the gasifier is designed to be continuously and automatically fed with coal and cleared of ash while operating at up to 400 lbs. per square inch pressure, by way of pressurising chambers—like airlocks on spacecraft—at the top and bottom of the plant. Coal dust, a problem because it is produced in large quantities in underground mining but tends to be blown unburnt through a gasifier, is handled by means of a "coal pump." The dust is bound with tar into a black "toothpaste" that can be continuously extruded into the pressure vessel of the gasifier, where it breaks up into lumps of fuel.

Almost concealed among trees on the slopes of a laboratory campus most famous for its electrical and electronic discoveries is a $3.1m. gasifier called GEGAS-D, built by General Electric, burning coal at the rate of 1 tonne an hour. The contents of its pressure vessel are constantly stirred to keep the wall clear of clinker and the bed of coal broken up and burning efficiently. The researchers believe it will burn any kind of coal the electricity industry may have to accept.

The gasifier is the heart of the new kind of power station GE researchers believe could be a commercial proposition by the late 1980s. In effect it would replace the boiler, the dominant feature of fossil-fuel generating plant to-day, and in Britain the cause of considerable delays in construction because of the necessity for erecting these huge structures on site. Grain and Ince B are examples of new British fossil-fuelled stations long delayed by on-site problems with boiler erection. But even for countries such as the U.S. where the problems of managing large-site construction are less horrendous, there is a considerable financial incentive to get as much construction as possible done in factories, and shipped to site as tested assemblies. The GE gasifier can be classified as "advanced Lurgi" in gasmaking terms: that is, of the type from which British Gas has developed its famous slagging gasifier process for making synthetic natural gas. In essence it is a chemical reactor, accepting coal, steam and compressed air (where the slagging gasifier needs oxygen), and yielding a low-BTU fuel gas. This gas, at about 300 lbs per square inch pressure, rates about 160 BTU per cubic foot. For comparison, natural gas is about 1,000 BTU.

One feature of the gasifier's design is how little steam it requires, a significant economic advantage. Another—a safety feature—is how quickly the process can be stopped simply by shutting off its air supply. But a feature of all gas-making technology for the past 100 years is how much more of an art than a science it has been. The GE research team has recognised that it has little hope of selling its new-technology package of chemical units to the U.S. electricity industry unless it can show that the package will operate as smoothly as conventional electricity plants.

The clue to this of course is the computer. For the past year the researchers have been programming a computer to run the gasifier, including scheduling maintenance of the plant. Within recent weeks they have been able to demonstrate the integration of all units, by means of the computer, into a pilot power plant with the potential for turning coal into electricity with an efficiency of 43-44 per cent. Britain's latest coalfired station, Drax B, making the completion of the Drax complex, is expected to have an efficiency of about 35 per cent.

In parallel with the development of the gasifier and gas-cleaning processes the GE research centre has been developing a new kind of gas turbine, designed to operate at much higher temperatures than those used to-day—in the range 2,600-3,000 degrees F, compared with 2,400 degrees F peak for aircraft turbines. The aim has been to achieve such temperatures without the necessity for new—and inevitably still more costly—types of material for the critical components such as turbine blades and discs. The means has been to use water pumped by centrifugal forces through the turbine blades to keep their surfaces below about 1,000 degrees F.

A key feature of this development, in the form of a nine-inch diameter water-cooled turbine wheel developed by the research centre, is being exhibited this month at the International Gas Turbine Exhibition in London. This one wheel has proved capable of generating about 2 megawatts under test rig conditions. GE's gas turbine division is now building a full-scale demonstration of an ultra-high temperature gas turbine, under contract to the Electric Power Research Institute in California. The plan is to demonstrate this turbine running on low-BTU gas. At the top temperature envisaged, 3,000 degrees F (1,649 degrees C) its efficiency as an electricity power plant could be as high as 50 per cent.

This ultra-high temperature gas turbine is being designed for an output of 180 MW. For comparison, the gas turbine power plant based on the Concorde Olympus engine, which Rolls-Royce announced last week, will generate about 50 MW.

The GE turbine will be about 36 feet in length and 12 feet in diameter—big for a gas turbine, but much smaller than either the turbine, generator or boiler—the three big components—of a conventional coal-fired plant of the same rating. The research programme has never lost sight of the idea that it must be possible to transport any sub-assembly of its new power plant package by rail in the U.S.

With the combination of gasifier and ultra-high temperature turbine—expected to be the first commercial package—GE believes it may be possible to erect a 300-500 MW power station in the U.S. in only 2½ years—on the same time scale as new chemical processing plant requires. The first demonstration of this kind of technology is the Powerton project, planned by Commonwealth Edison of Chicago. This joint government - industry project aims to demonstrate a 25MW combined-cycle plant by the early 1980s.

Britain has a dual interest in developments in Schenectady. Like GE, which since it purchased Utah International in 1976 has had a major stake in coal, Britain has a big interest in utilising coal more efficiently. Last summer GE and the National Coal Board signed a bilateral agreement on coal research. American int... focuses particularly on fluidised-bed types of comb... under development both a... NCB research centres (under the auspices of International Energy Ag... at the Board's Grimet... Colliery in Yorkshire. Onc... £17m. experimental pressu... fluid-bed coal combusto... Grimethorpe is working—... haps next year—there wi... a strong case for adding ... gas turbine. Meanwhile ... commissioning research ... the NCB on its existing ... bed rigs.

But for Britain the b... incentive could be the a... tions of breaking the bottl... in power plant construction... Central Electricity Gener... Board has at least 12,000 ... of new construction b... schedule, much of it three ... and some six or seven ... late. Productivity at ... station sites in Britain vari... a factor of three, from 10 ... hours per kilowatt at ... Scottish sites to over 30 ... hours per kilowatt at ... sites in England. At leas... the more intractable regi... which at present in ... Merseyside and the South ... —the prospect of assem... power stations from fa... made modules is one ... U.K. electricity supply ind... can scarcely ignore.

MEN AND MATTERS

Cubans stop the traffic

When Luis Lamas de Oliveira arrived yesterday afternoon in John Street, near Gray's Inn, London, he was greeted like a visitor from another planet. Oliveira is the general manager of the Benguela Railway, that time-honoured and now rather battered asset of Tanganyika Concessions. Until the Angolan war, the line had a revenue of more than £20m. a year, largely from traffic carried through Lobito Bay to Zambia and Zaire.

To-day a strong contingent of Cubans controls the line where it crosses into Zaire at a wild spot called Dilolo. "We do not even know if the border bridge is up or down," says Rory McNeil, secretary of the London committee of the railway. "None of our staff is allowed up there." McNeil seemed vague when I asked him about the railway's current level of receipts — scarcely surprising, since no money is coming out and communications are uncertain. But spares for the rolling stock and locomotives are still being sent from Britain.

The last annual report of Tanks, which owns 90 per cent. of the railway (the Angolan government has the remainder) paid warm tribute to Oliveira.

It said that he and his staff were working in "most difficult circumstances," which could be viewed as an understatement. Life was made no easier when an abortive invasion of Zaire was mounted along the railway route from Angola. Oliveira speaks only Portuguese and is on his first visit to London. Yesterday he was so busy giving the Tanks directors in John Street the latest news from Lobito that there was no chance of interviewing him. When I asked McNeil about the prospects of reopening the line right into Zambia he replied: "I'm not all that optimistic."

"Do you think they know something we don't know?"

Party picture

Vanessa Redgrave was the centre of more than one uproar on the night she received her Oscar. Resigned to being stood up by the relentless amazon of the Workers Revolutionary Party, due to her commitments in California, I none the less made my way to the National Film Theatre. Her 157-minute saga, The Palestinian, was showing, the product of more than 44 hours shooting by Redgrave and friends in the Lebanon.

Even before the film began, WRP central committee member Roy Battersby was caught up in a noisy barrage of heckling from Israeli sympathisers in the auditorium; he even threatened one with a suit for slander. The mood for the WRP faithful was set by a centre spread on the PLO in the party's daily, News Line, headlined, "Facing up to the enemy firmly."

Battersby explained that Vanessa had been the subject of a witch-hunt by the London newspapers. But few of the noisy questions put to him related to her film—though why it was so boring, was one. Even then, Battersby declared that the only people he had met who disliked it were Zionists and fascists, although he did concede that there might be others.

Comic tips

If Baroness Seear has her way (and she seems set fair to do so), employers in Britain will be hearing a great deal more about Clause 111B of the Sex Discrimination Act. "The clause is dynamite," she says, "although few people seem to realise it." Lady Seear yesterday launched a picture-strip book to tell women about the rights they have under the new legislation. Produced with funds given by the Equal Opportunities Commission, the booklet follows the adventures of a fictional heroine, whose husband has left her and who goes back to work.

Lady Seear is chairman of Action Opportunities, an organisation set up by a somewhat disparate quartet — Women Pilots, the Women's Gas Federation, the Women's Liberal Federation and the Fawcett Society—to advance the status of the traditionally gentle sex. The heroine of the booklet (which has a touch of "True Romances" and a slightly hectoring undertone), gives all-comers a tough time. Her employer looks suitably chastened when he finds he has to give her two years' back pay for equal work.

One of the main outlets for the book, Lady Seear told me, will be through the TUC. I asked about the Tory ladies. "They were not hostile at all," she replied. Lady Seear, who teaches at the London School of Economics, says that Action Opportunities, a ginger group, was launched with £1,500 from the EEC Social Fund. It does not mean to be permanent, but Lady Seear sees its most vital function as driving home the significance of Clause 111B—dealing with indirect discrimination at work. "We surveyed 25 organisations and they just did not realise it applied to them," she says.

Men's lib.

The laws to end discrimination against women job-hunters are not always ineffectual, however. They can even work to the benefit of men, as Sealink's experiences in Scotland prove. Last year, newspapers in Northern Ireland, Scotland and northern England were adorned with advertisements for "Princesses," as the girl couriers on the Larne-Stranraer ships are called (it is known as the Princess Line). Result: Sealink found itself in hot water with the Equal Opportunities Board in Belfast.

So this year, the advertisements were more adroitly worded. They announced vacancies for Princess Couriers. Result: no complaints from the Equal Opportunities Board—and six male applicants. They are all Irish. I asked yesterday if there was any reason why the couriers should not be men. The reply on the telephone from Sealink's Glasgow office was brief and gritty: "None."

Watch your step

As a colleague was going into a Lambeth shop last Tuesday he saw a "Beware Of The Dog" soign on the door, but the only animal he could see inside was a chihuahua puppy. "Is that what I'm supposed to beware of?" he asked the proprietor. "That's right," came the reply. "Before I put the notice up people kept treading on him."

Observer

FINANCIAL TIMES SURVEY

Wednesday April 5 1978

Finance and Investment in the U.S.

Because of its dominance, the problems of the U.S. economy tend to become those of the world. They are numerous, but despite this many companies of international standing in Europe and Japan thought it worthwhile to establish American offshoots to take advantage of the giant U.S. market.

Some hard choices ahead

By Stewart Fleming
New York Correspondent

THE RUN-UP to the 1980 Presidential election may seem a long way off, but as President Carter and his political aides contemplate the outlook for the U.S. economy and financial markets they would be hard-pressed to conclude that time is on their side for dealing with the economic problems which could affect the voting.

Many economists outside the Administration are already predicting that by early 1979 the economy will be heading for a period of significantly slower growth than the annual 5 per cent. rise in real terms which has been underway in the three years since the 1974/75 recession. The gloomier forecast is that the economy will not only be slowing down but will be heading for recession at a time of rising inflation which will *only* make the recession worse.

Fears that events will move in this direction have been heightened by the persistent weakness of the dollar, which poses a threat not just *for* the U.S. but *for the world* economy and which is causing mounting anxiety in financial markets. Observers are increasingly coming to the conclusion that the actions the Administration *may need to take to* help *the* dollar in the short term will rebound adversely on the domestic economy.

Thus the Administration seems to face some difficult economic policy decisions if it *is to try to head off the threats* of inflation and recession and contain the dollar problem during this year's mid-term Congressional elections and the run up to the Presidential election.

American business is watching anxiously to see whether the trick can be turned. There are many who say that the political commitment to keeping the economy moving into 1980 will prove self-defeating and merely spawn the recession the politicians are aiming to avoid.

Outside business and political circles there does not seem to be much public awareness of the dangers ahead—apart from a simmering anxiety about inflation, spurred *for* the most part by sharp rises in food prices in recent months. This is not really *surprising* since consumers have been enjoying *three* years of *sustained* economic growth at a rate well above recent historical levels and seem to be destined to enjoy a fourth consecutive year of growing prosperity in 1978 in spite of a poor first quarter.

Since President Carter took office just over a year ago, *unemployment has declined* from over 7 per cent. to under 6 per cent. At the same time more Americans than ever before are working as commerce and industry have created millions of new *jobs*, successfully absorbing new workers, particularly women, into the labour force. (Urban unemployment, with rates among black teenagers running at 30-40 per cent., remains intractable, however.)

Rising incomes and consumer spending have powered the economy upwards and, for all the concern about car sales in 1978, conclusive evidence of a weakening of demand has yet to appear.

In the financial markets the Dow Jones Industrial Average has plunged 24 per cent. since January, 1977, and short-term interest rates have risen more than 2 percentage points, taking commercial bank prime rates up to 8 per cent.

The markets—but not all the brokerage houses—have so far *taken* these adjustments calmly. Trading in the long-term corporate and Treasury bond markets has been thin but creditworthy corporations *have* had no difficulty *in raising debt finance for* 20 or 30 years at interest rates often no more than 40-50 basis points higher than a year ago.

Upturn

Commercial bank credit too has been readily available. It is only in the past few weeks that the big New York City banks have been seeing real signs of an upturn in corporate borrowing and even yet it is too early to be sure the increase will be sustained—although the general view now is that it will. Indeed, some economists have expressed real concern about a tightening of credit later this year.

There has not been much action in the equity finance market and there is growing unease about the depression in share prices on the grounds that this impedes the flotation of new companies. But if the merger boom of the past two years is anything to go by, the business executive is less nervous about the long-term outlook for the economy than he is about the immediate prospects. The continued growth of foreign direct investment from abroad suggests that some major overseas corporations seem to feel that in the long run a stake in the U.S. economy will be a good bet too.

These "fundamental" strengths have provided *evidence for the Carter Administration* to argue that the foreign exchange markets are undervaluing the dollar. But there is another side to the argument.

The most *pressing concern is* inflation which is now, it seems, accelerating and is higher than in some other industrialised nations, West Germany and Japan in particular. The evidence is not limited to the recent surge in food prices, increasing social security payments, the rise in the minimum wage or the prospective rise in energy costs as part of an energy policy or simply to help the dollar.

The inflationary pressure can be detected too in what are, given recent productivity trends, inflationary wage settlements. Evidence of declining productivity in the U.S. economy in the 1970s at a time of high wage settlements with built-in cost of living adjustments no doubt in *part reflects the shift to a more* service-orientated economy. But it is probably another facet too of the sluggish rate of new capital investment in productive equipment, an indicator which is worrying economists and leading to questioning of a whole range of government policies from taxation to environmental regulation.

There is fragmentary evidence that at least among some Americans an inflationary psychology is beginning to take root. The continued heavy demand for housing and rising house prices, fuelled sometimes the purchase of investment pro*perties are one indicator.*

The Carter Administration is correctly bringing the inflation issue to the front of the economic policy debate but in doing so it runs the risk that if *it fails to find an effective anti*-inflationary policy the debate will provoke price and wage demands designed to protect companies and workers from inflation.

There is a growing recognition, too, that the decline in the dollar may have a more severe inflationary impact than the significance of imports in the economy might suggest. There is no doubt that U.S. car prices, for example, especially in the sub-compact sector, have risen more sharply because of price increases on leading imported *makes prompted by the dollar's* decline.

Pressing

Domestically as well as internationally the dollar is thus becoming a more and more pressing problem and heightening the nervousness of the financial markets. There is scepticism about whether the most widely recommended "solution," an energy policy involving higher oil prices to curb imports, will have the effect needed quickly enough, even though it *would* undoubtedly provide much-*needed reassurance about the* President's own standing.

The sceptics suggest that curbing oil imports is only part of a more complex problem. On the trade account it is suggested *the nation's poor export per*formance is as worrying as its gluttonous propensity to import crude oil.

Some suggest that major American corporations, with some notable exceptions, are simply not geared to take advantage of the declining dollar and increase their export earnings, and that in a world of increasing international trade this is a structural weakness in the economy. It could also increase domestic pressures for trade protection.

Moving away from the trade *account the talk turns to the* vulnerability of the world economy, dependent as it is on the dollar as a reserve asset and a prime trading currency, and the repurcussions of this on domestic policy.

It is not really surprising, given the disquiet on these issues, that the underlying strength of the U.S. economy is not providing the foundations for economic progress which Administration officials feel it should.

In part, however, this is a reflection of a growing unease with the Carter Administration's economic management. *The administration has stuck to* policies of world economic growth and free trade which if they had been abandoned could have caused even greater anxiety. But as economists *have watched* the *shifts* and turns in policy on such issues as taxation, or the significance of the dollar's performance, their reservations about the Administration's performance have deepened. Having given the Administration the benefit of the doubt in its first months of office they now wonder whether it has the expertise to give the consistent leadership which they feel is lacking.

Growth fails to boost confidence

IN THE first quarter of this year, the U.S. became the world's first $2,000bn. economy. There has been no rejoicing at the achievement of such a landmark, or any celebration at the fact that the country this month entered its fourth consecutive year of sustained economic growth.

One of President Carter's misfortunes was to have taken the helm at a time when, peering backwards in order to forecast the future, many economists and businessmen were expecting signs of a recession. While the President's policies in his first year of office did little to dispel this pessimism, the actual performance of the economy gave better grounds for confidence.

Yet confidence has been in short supply not least because of the shocks delivered by the 1974-75 recession. These two years yielded declines in the real Gross National Product for the first time since 1946-47. During the whole of the 1960s, moreover, there had been no single year in which GNP had fallen. Thus American business had come to believe in steadily increasing prosperity. But the 1970s have produced a world of unexpected and dramatic change.

Reminders

Three years of economic growth since 1975 at an historically rapid pace have not been sufficient to repair confidence shattered by the oil embargo and the shift of financial resources to the Middle East. Real growth there has been since 1975, but it has been accompanied by constant reminders that the U.S. economy is far more vulnerable to the twists and turns of the international economy. American business, which has helped to *create the world's present* economic interdependence, has been made painfully aware that it can no longer ride above a storm in world markets.

Domestically, the vulnerability of the U.S. has been demonstrated by increasingly volatile economic development, and abroad by the fragility of the dollar. Annual rates of GNP growth in real terms since 1970 have ranged from minus 1.4 per cent in 1974 to plus six per cent in 1976. Within a single year, economic progress has been more of a switchback ride than a steady progression. In the fourth quarter of 1976, for example, GNP growth was 1.2 per cent in real terms and the following quarter it leaped to 7.5 per cent. Inflation rates have been no more steady.

In the placid post-war period up to 1970, American business could plan on the basis of price stability as well as stable growth for inflation lodged satisfactorily at around 2 per cent.

During the last seven harsh years, however, prices have never increased at a rate below 4 per cent. They ran close to 10 per cent. for two consecutive years, and are currently locked into a 5 to 6 per cent. rate of increase and may well be rising even faster.

This climate has made the job of running a business in the U.S. immensely more complicated for executives who learned their skills in the calmer 1950s and 1960s. Managing stocks, controlling costs, planning manpower requirements and predicting *market conditions have all* become much more a matter of finesse.

Uncertainties have been compounded by a lack of consensus on what the nation's economic priorities should be. During the past year the disagreement between the administration and the financial community, conveniently labelled Wall Street, has if anything widened, with the Federal Reserve sitting uneasily in the middle trying to pursue a money supply policy which has satisfied neither.

For at least a year, Wall Street has been preoccupied with the rate of U.S. inflation and the country's failure to bring it down more in line with the prevailing rates in West *Germany and Japan. It is argued* that a 6 per cent. rate of price inflation has fast become part of the U.S. economic structure and that as a result major perils lie in wait for the economy.

These anxieties were somewhat muted in the second half of 1977 when the consumer price index slowed down to an annual rate of advance of a little over 4 per cent.—but then the renewed instability of the dollar, President Carter's proposals for a budget deficit of around $60bn. for 1978-79, followed quick signs of a double-digit annual rate of inflation in the January economic indicators, have added to the clamour for the Administration to identify inflation as the Number One public enemy.

By late March there were signs that President Carter was ready to do so, although the Administration's counsels were apparently divided as to what the precise nature of the attack should be. Seen from Washington, the economy has been coming along nicely with a 4.9 per cent. real growth rate in 1977, and a prospect of between 4 and 4½ per cent. in 1978.

The Administration denies that it has ever downgraded reducing inflation as an economic priority, but has argued that the attack on prices should not be at the expense of jobs or risk jeopardising achievable rates of economic growth. Having seen unemployment fall from 7.5 to 6.1 per cent., and the creation of 3m. new jobs in his first year of office, President Carter does, however, seem ready to consider stiffer measures.

Nevertheless, the basic outlook for the economy remains promising. Despite another harsh winter and a miner's strike, the economy is thought likely to have managed a 1-2 per cent. gain in the first quarter of 1978, and to be in good shape to make the recovery needed to sustain a 4-4½ per cent, annual growth rate.

Among the several encouraging signs are a 10 per cent. increase in manufacturers' order books since last July, an 8 per cent. annual increase in the production of business equipment, a projected 7 or 8 per cent. increase in business capital spending and enough spare capacity in manufacturing industry to allay any anxieties about bottlenecks or overheating. While housing starts in January and February were down about 20 per cent. on December 1977, total construction permits were well up.

The arrival of spring weather promised to revive consumer spending and a surge in car sales in *mid-March* started to give credence to the manufacturers' predictions which had hitherto seemed excessively optimistic. The dilemma for the Administration is how to maintain the economic outlook and at the same time chip away at the inflation rate.

Many economists believe it is impossible to do both, and that on present trends the inflation rate will be 7 per cent. and rising by the end of the year. Wall Street's economists are arguing that it would be far *wiser and probably more effective* for an anti-inflationary policy to be based on tightening money supply, reducing the impact on employers' payrolls of scheduled increases in social security taxes and the minimum wage, and cutting the projected Federal deficit for 1978-79.

Within days of assuming his responsibilities as chairman of the Fed, Mr. William Miller was sounding very like his predecessor, Dr. Arthur Burns, in warning that in the absence of a convincing approach from the Administration, the Fed would have to pitch the money supply into the front line against inflation. When he spoke, however, Mr. Miller would have known that in 1977 his predecessor's regime had been more accommodating of money supply *growth than had appeared at* the time.

Towards the end of March, the Fed produced revised figures which showed that in 1977 the growth in M1 and M2 had been 7.8 and 9.8 per cent. respectively and not 7.4 and 9.6 per cent. as earlier figures had indicated. The revisions for January 1978 had been even more substantial and pointed to a 9.6 p gain in M1 rather than cent. and an 8.9 pe advance in M2 and not cent. as previously r Declines in the Februar supply were also trimm

As a result, many ana convinced that sh interest rates, havin stable since early Janu be moving upwards towards the second hal *year. Whether this wi* to be a drag on the gro remains to be seen, b are grounds for fearing forward momentum in economy may well ha lost by early next year.

Stewart Fl and John

Competition spreads on Wall St.

WHILE THE number of public investors in the U.S. stock market has fallen from 30m. to around 25m. so far this decade, America's preoccupation with what the stock market is doing is still remarkable. The most parochial of radio stations think it worthwhile to inform its listeners of the closing average of the Dow Jones industrial index, the volume for each day's trading and the most active shares.

The 19 per cent. decline in the industrial average over the past 12 months has almost certainly contributed to a simultaneous fall in President Carter's popularity ratings, for while Wall Street may be debating on a more abstract level what the market is saying to *most Americans it is strongly* implying that the President is none too good for business.

This is not a judgment with which most Wall Street analysts, brokers and investment bankers would disagree. High priests of finance renowned for their ability to digest a balance sheet grow purple in complexion when discussing the President's economic policies. Dire warnings of the imminence of Socialism are by no means uncommon in the conference rooms of Wall Street. By and large this is more Wall Street's problem than it is America's.

The dual phenomena of a weak dollar and falls in both the equity and fixed interest markets have occurred at a time when the securities industry has been increasingly preoccupied with its own problems and when some of its members have been in poor shape to cope with such external difficulties. As a result major brokers and investment houses have been as "risk averse" as the institutional fund managers whose business is such a vital contributor to the income of Wall Street.

Institutional trading is one of the industry's key problems, along with governmental pressure to create a national market system and the difficulties of acquiring sufficient capital to guarantee a future when the securities business will be dominated by fewer but larger companies.

The abolition of fixed commission charges on institutional accounts was mandated by the Securities and Exchange Commission (SEC) from May 1 1975 and its impact was undoubtedly shielded by the stock market recovery of 1975-76. Until last year many brokerage houses had been able to compete in the discounting war sparked off by negotiated rates but the fall in the market coupled with the increasing reluctance of institutions to maintain their equity portfolios produced critical revenue problems for some companies.

Dropped

Negotiated rates are reckoned to have cost the industry close to $1bn. revenue, with the result that more than one-third of the purely institutional brokerage houses had ceased trading by the end of last year. In 1976 some 63 per cent. of the industry's total income came from commission charges but by last year this had fallen to 44 per cent. In the case of Merrill Lynch, Pierce Fenner and Smith, the world's largest security firm, commissions have dropped as a proportion of revenue from 46.9 per cent in *1973 to 32.5 per cent. in 1977.*

Against this background the industry has been scrambling to widen its revenue base through diversification into other financial and non-financial fields—and ultimately through mergers. *Some of the most famous names* in Wall Street fell into each others' arms last year, seeking the protective security of marriage. From Kuhn Loeb to Lehman Brothers, from Loeb Rhoades to Hornblower and Weeks and from Dean Witter to Reynolds Securities, the consolidation among the top firms seemed unstoppable.

Famous names are constantly being linked by the Wall Street rumour machine but most observers are confident that the top 25 firms as ranked by capital could well be the top 20 by the time this year is out.

This is ironic since the SEC's original intent in sacrificing fixed commissions was to increase competition within the securities industry. Destructive competition may not have been forseen, however, and the discounting on the *old* fixed rates of up to 60 per cent. has proved an exercise which has done nobody any good—except perhaps the institutions. Earlier this year a serious move did get under way to try and claw back some of the lost revenues. Donaldson, Lufkin and Jenrette and others announced discount limits beyond which they would not go and Goldman Sachs, one of Wall Street's leading block traders, offered some support for this stiffened resistance by declaring that it too would be more discriminating in its charges to institutions.

Some brokerage houses have had increasing difficulty in finding the capital needed to fund the principal transactions *needed for positioning*, block trading and the execution of institutional business—strengthening the capital base in view of the prospect of the removal of off-the-floor trading restrictions in equities which is symbolised by the New York Stock Exchange's rule 390.

Although SEC postponed its proposal to remove 390 from January 1, 1978, its disappearance seems inevitable in view of the SEC's mandate from Congress to widen competition in equities through the creation of a national market.

The proposal to abandon 390 was an expression of the SEC's impatience, under the lash of Congress, with the securities industry's own failure to agree within itself on a framework for a national market and on the necessary steps for its achievement.

Offing

This is a saga which is still unfolding and a confrontation between SEC and the industry, led by the New York Stock Exchange, may well be in the offing. The NYSE has devised and is about to launch a new intermarket trading system (ITS) which will link it with the American, Philadelphia, Boston and Pacific stock exchanges. The Mid-West Stock Exchange in Chicago may also join before the year is out. The scheme was devised by the NYSE as a potential vehicle for creating the national market so earnestly desired by Congress. Computer *links between the markets* should enable stockholders and brokers to determine price available for stocks.

The SEC has so far enigmatic about whe regards the ITS as a basis for a national ma has set a deadline of Se 30 for the industry to certain props for this Specifically the co wants a linking system place by September 30 brokers and dealers c orders for particular s The ITS plan has recei lodged with the S approval, so it shou become apparent wheth into the commission's s things.

In addition to mark however, the SEC w posals for the creation tral limit order file national protection f orders. Such a file wo mately replace the who currently uses his order book to mai orderly market in the *for which he is respo* central limit order fi strike at the very hea NYSE's dominance o trading and the ex likely to skirt the iss detailed response to t *request for a set of pr*

With industrials lodg in the 750-800 index r competition within securities industry ran a steady expanding immediate future looks turbulent as the recent

John

Inflationary omens for the bond markets

AFTER TWO years of steadily rising prices, expanding new issue volume and healthy profits for investors and trading departments alike, the New York bond markets became increasingly nervous during 1977 and early 1978.

In retrospect the break in bond prices which ushered in 1977 and left many investors to absorb heavy losses proved to be the bottom of the downward movement of both long and short-term interest rates following the credit squeeze of 1974. Federal funds then traded at a peak of 13.75 per cent. and yields on new issues of AA-rated utilities moved up to 10.6 per cent.

Since hitting a low of 4.53 per cent. at the beginning of last year the Federal funds weekly average rate has risen to a round 6.75 per cent., while *commercial bank prime rates* have risen from 6 per cent. to 8 per cent. Money market rates like these have risen more sharply than long-term bond rates, however. Thus yields on AA-rated securities are up from 7.8 per cent. to around 8.8 per cent. a few weeks ago over the same period.

The impact of these changes on investors has been charted by New York investment bankers Salomon Brothers in their 1977 annual review of the bond markets. This suggests that during 1975 and 1976 as interest rates generally declined and corporations raised record amounts in the bond market, investors in different segments of the fixed interest sector were able to obtain total returns, including capital appreciation, of between 9 per cent. and 30 per cent.

But in 1977, say the investment bankers, the total return on bonds (measured by price change plus interest as a percentage of starting value) was "just moderately positive for most sectors of the market and negative for a few obligations."

They point out, for example, that the total return on long-term Treasury issues, which was 15 per cent. in 1976, was zero in 1977, while good quality long-term corporate bonds, which recorded a total return of 18 per cent. in 1976, showed only 2 per cent. last year.

Although investors in the bond markets last year did less well than in the previous two years borrowers continued to raise historically large amounts of new money. States and municipalities raised a record $45bn. and during most of the year on better and better terms, with interest rates in this sector moving against the general upward trend. Corporations borrowed $28bn., close to the 1976 amount.

Adequate

But savings flows were more than adequate, especially since the major institutions, pension funds and insurance companies withdrew again from investing in ordinary shares. The market might well have been under greater pressure had it not been for the willingness—if that is the right word—of foreign investors, mainly central banks, to take up new issues of U.S. Treasury Securities.

Bankers Trust, for example, has estimated that foreigners absorbed around $32bn. of Treasury issues, close to two-thirds of the marketable securities the government issued. While this foreign investment may have helped to keep down interest rates it reflected in the main foreign central bank support for the dollar.

In retrospect the ability of the bond markets to absorb these heavy financing requirements *during most of 1977* is surprising given the uneasy economic and financial background.

Much of last year was taken up with a heated debate on the course of monetary policy, and by October one of the most common complaints on Wall Street was that in spite of engineering sharp upward movements in short-term interest rates the Fed has lost its ability, *or its will, to control* monetary growth.

But while short-term interest rates moved up sharply the fears that the over-rapid expansion of money supply was only *fuelling inflation this year* and probably next were not widespread enough to unsettle the long-term bond markets severely until the later months. Then, increasingly and into 1978, dealers and investors began to retreat to the sidelines, spreads widened *and trading* thinned. There was growing awareness that the economy was after all growing more strongly than many supposed and that inflation was showing signs of gathering pace.

Thus as bond market investors entered 1978 they were faced with a succession of disturbing omens.

The continuing weakness of the dollar and the Carter Administration's decision to try and shore it up in part through *engineering an increase in* short-term interest rates dealt the Treasury sector in particular a blow. This was reinforced by the recognition that the Government budget deficit of about $50bn. in 1977-78 was on the increase and would be $60bn. the next year. Analysts pointed out that in what would then be the fourth year of sustained economic growth since the last recession the Government should be cutting down debt not borrowing more.

To these concerns were added predictions that demai sures on the credit could rise in 1978 to levels, with corporatio mortgage market and ernment putting heavy pressures on the marke

These predictions led spread expectations th term interest rates co between 50 and 100 bas and short-term interest to 200 basis points. *squeeze*, some analysts was on the way whic abort the economy's growth.

Question

Others, however, ques analysis, arguing th economy is already down and that inflati stick around the 6 p level. On this basis, assumptions of 4½ to 5 economic growth this y next and inflation risi per cent. are put asi economy may be heade "soft landing." This wou that interest rates are close to their cyclical

The bond markets poised between these tw with some investors that yields will peak second or third quarter to current levels but wit anticipating more sev ward pressure.

The uncertainty is pounded by the diffic assessing whether the Administration's energi mitment to a tougher against inflation is mo cosmetic and whether it pursued. If not, how new chairman of the Reserve Board, Mr. Miller, attack the pr which the Administratio seem to be handing him.

Stewart Fle

هكذا من الأصل

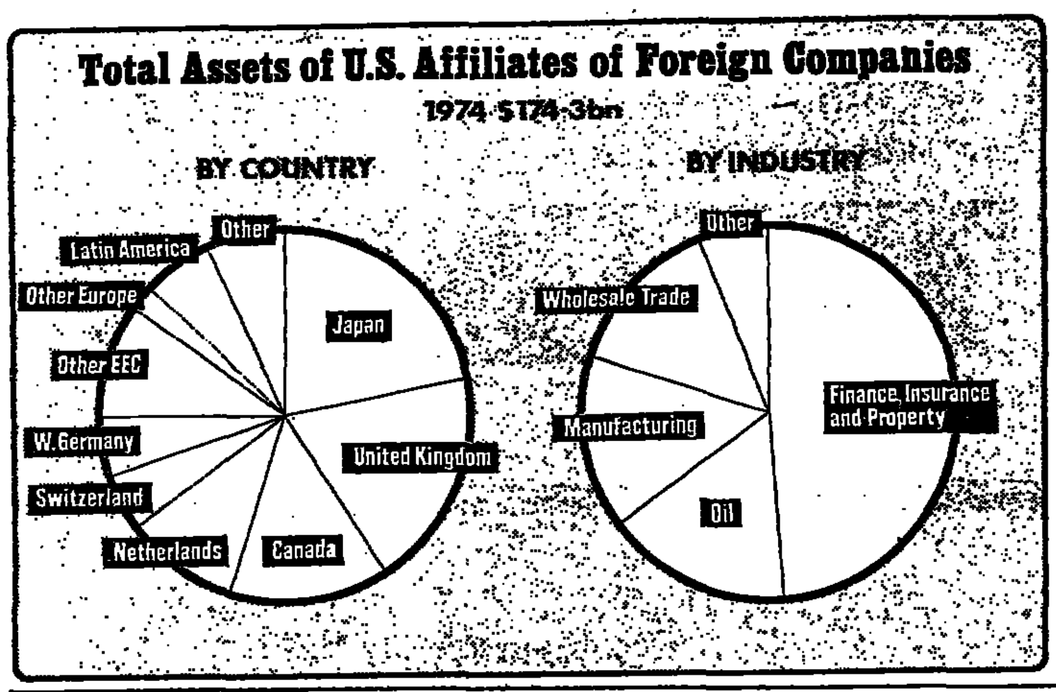
Articles on this and succeeding pages review the extent of direct foreign investment in the U.S., its impact on the economy as a whole, methods of financing purchases and the sectors of industry mainly favoured by the corporate buyers — most of them European or Japanese.

The lure of a large free market

IN THE past five years foreign businesses have been expanding their direct investment in the U.S. at a pace unprecedented since the end of the World War II. Whereas in the 1950s and 1960s foreign direct investment rose on average by around 6 per cent. annually, in the past five years it has been growing at well over 10 per cent.

Provisional estimates suggest that last year alone foreigners added some $3bn. to their equity interest in the U.S., sums financed either from abroad or from retained earnings from existing U.S. operations. This took the total value of their investments to $33bn. on the conservative statistical basis used by the Commerce Department.

These figures, however, are arrived at on a balance of payments basis and tend to understate even the size of foreign direct investment where it is financed by banks in the U.S. They do not measure the total of foreign-owned assets—funds borrowed in the U.S., for example, are excluded. There are no up-to-date figures on total assets—the last reliable figure being one produced for 1974 which *showed that foreign* investors controlled assets of $174bn., nearly half of which was in finance, insurance and property.



Much of the growth has been of the traditional kind, with European, Japanese and Canadian companies investing in U.S. manufacturing industries either through expansion of existing operations or by acquisitions. Unilever's as yet uncompleted purchase for around $485m. of National Starch and Chemical and the move into U.S. pharmaceutical businesses by such European companies as Glaxo, Beecham, Nestle and Bayer have been among the notable acquisitions in the past year.

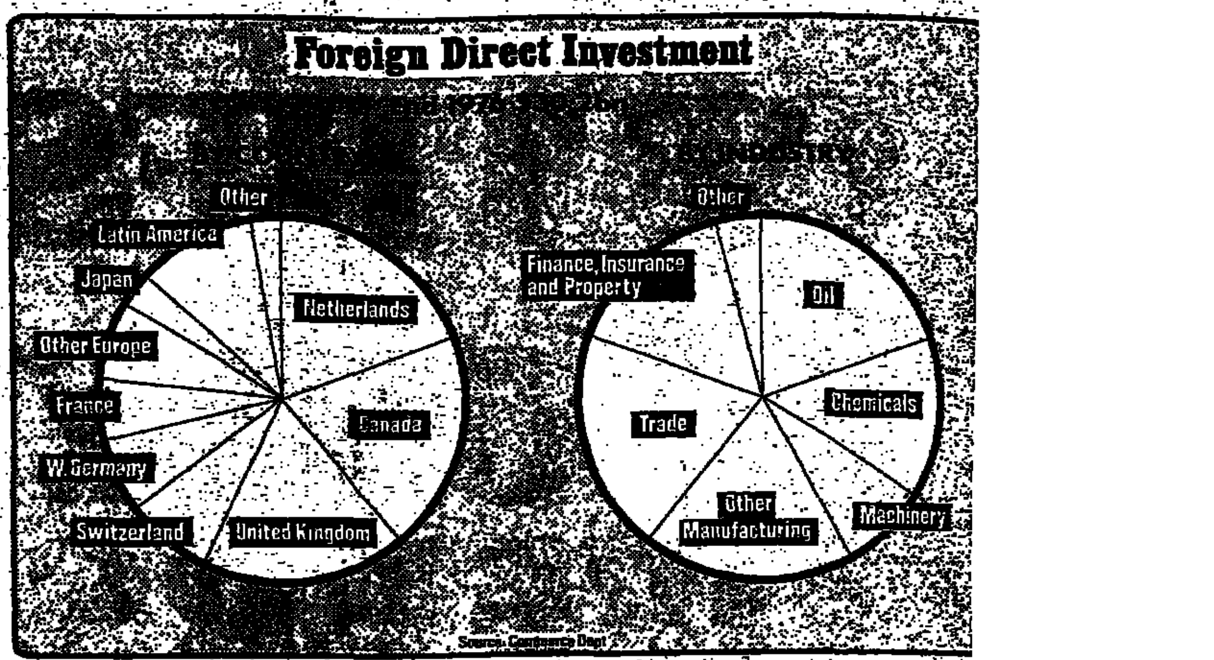
But decisions by companies such as Imperial Chemical Industries, Solvay et Cie, and the German electrical giant Siemens to enter into new joint ventures in the U.S. or construct new plants have also figured prominently in the multi-million dollar category of investments.

Less well publicised, and sometimes deliberately suppressed, has been the steady flow of foreign investment into U.S. property, farm-land and into small U.S. businesses. There are no entirely satisfactory statistics on the sums being spent, which often represent efforts by wealthy individuals to diversify their assets geographically into the U.S. because of political or social uncertainties in their home countries. This form of investment can best be summed up in terms of a qualitative phrase "flight capital." While nobody is sure just how much is involved, investment bankers and property brokers in the U.S. are confident the figures are large.

Commerce Department statistics for 1976 suggest that some $560m. was invested directly by foreigners in U.S. property. Not all of this came from the private investor as distinct from the corporate or institutional investor — British pension funds, for example, have been buying some U.S. properties.

But the private investor is a significant figure in the market. Some reports have suggested that last year several hundred million dollars of private foreign capital flowed into the purchase of U.S. farmland. But firm statistical information to corroborate such claims is not available.

The latest surge of foreign direct investment is best seen as a continuation of a trend which got under way in 1973, particularly in so far as corporate investment is concerned. In 1960 Commerce Department statistics suggest that foreign direct investment in the U.S. had a total value of $7bn. The figures measure foreign direct and indirect ownership of U.S. equity assets. They take into account the nominal value of equity, net loans from the overseas parent and the value of reinvested earnings. Currently a holding of 10 per cent. of the voting equity or its equivalent qualifies for inclusion in the statistics, although at that time the figure was 25 per cent.



By 1970 the figure had risen to around $13bn., but after 1972 growth surged to the current level of around $33bn.

Inevitably, perhaps, the figures are best treated as a guide. In spite of efforts to tighten up reporting in the wake of the 1973 oil embargo, this is a move which reflected among other things the fear—so far unrealised—that the newly rich Middle East oil countries would start buying up U.S. investments on an unprecedented scale.

In fact OPEC nations have confined most of their investment in the U.S. to a significant increase in portfolio investment and bank deposits. Middle East OPEC nations made net purchases of some $5bn. of U.S. equities between 1974 and 1977 after having been negligible purchasers of U.S. stocks previously. They have also invested in fixed interest securities.

Thus the pattern of direct investment in the U.S. in the past five years has to a considerable extent followed traditional lines, albeit on a much increased scale and with one or two shifts of emphasis such as the rapid expansion of the Japanese presence. This is disguised in the Commerce Department statistics but the Department's study which produced total assets figures concluded that in these terms Japanese investors were the largest single country source, accounting for around a fifth of assets. A substantial proportion of this will, however, have been in banking, for example, rather than representing a long-term equity position.

These factors aside, the bulk of the new investment is still coming from the major West European industrial countries—W. Germany, the Netherlands, Switzerland and Britain. Between 1974 and 1976 Britain was the leading source country for acquisitions, mergers and equity increases, accounting for $1.2bn. of the $4.4bn. spent.

So far as the direction of the flow is concerned, the bulk of the funds is still going into various forms of manufacturing, with electric and electronics equipment the leading industry group for equity investment including mergers and acquisitions. In the 1974-76 period manufacturing accounted for two-thirds of the number of transactions, with the electrical sector, accounting for almost $750m. of the $4.4bn. of investment identified by value. Non-electrical machinery accounted for $246m. in this period and chemicals and allied products $425m.

Although the Commerce Department statistics understate the assets which foreign investors have invested directly in the U.S., the fact remains that across U.S. industry as a whole foreign direct investment has a *negligible economic impact.* A Conference Board study estimated in 1976 that foreign-owned businesses accounted for less than 2 per cent. of the U.S. Gross National Product and now they probably account for no more than 3 per cent. of gross private non-residential investment.

Foreign investment in the U.S. is, however, significant in particular industrial sectors. Thus the 1974 Commerce Department study of the subject suggests that U.S. affiliates of foreign companies accounted for 13 per cent. of U.S. oil refining capacity, 10 per cent. of petrol sales, almost a quarter of pharmaceutical supplies and man-made fibre capacity and a third of dye consumption.

Foreign investment in the U.S. is also considerably smaller than the investment of U.S. entities abroad—which is not surprising since it was the U.S. multi-national which set the trend, particularly after World War II, towards corporate diversification around the world. Commerce Department estimates suggest that on a comparable basis U.S. direct investment abroad had a value of $150bn. at the end of 1977 almost five times the figure for foreign investment in the U.S.

The factors accounting for the growth of investment in the U.S.—and more particularly the surge in the rate of growth since 1973—are legion and in a corporate sector each entity will have its own rationale. The attractions of a base in the world's largest economy, the lack of restrictions on foreign investment across most areas of the economy and the country, growth prospects in a capitalist society and an opportunity for profit are commonplace explanations.

On the other hand, particularly since the early part of the decade, political and social uncertainty in some European countries, profit controls in others and concern about labour problems have been an influence in encouraging investment in the U.S.

The decline of the dollar and the rise in wage rates outside the U.S. have tended to remove what used to be seen as an important barrier to companies entering the U.S.—high wage rates coupled with the weakness of the U.S. stock market during much of this decade. These trends have also tended to make U.S. acquisitions cheaper, at least in hist *terms. Whether some* [illegible] recent acquisitions will [illegible] cheap in the long run will [illegible] ever, depend on their [illegible] formance and the perfor[illegible] of the U.S. economy as a [illegible] in future.

Looking at the list of co[illegible] tions which have been esta[illegible] ing new operations in the [illegible] in the past few years su[illegible] that another factor is sim[illegible] desire to expand geograph[illegible] on the part of foreign comp[illegible] which have been gr[illegible] rapidly, partly through me[illegible] and now feel that they ar[illegible] size where they want a co[illegible] ment in the U.S. more co[illegible] surate with their size. Unil[illegible] move to acquire Na[illegible] Starch, for example, in[illegible] reflected the company's [illegible] that its U.S. base, althou[illegible] nificant in terms of [illegible] ing its Lever Brothers [illegible] ton operations, was [illegible] relation to the size of th[illegible]

On the other hand, [illegible] about protectionist [illegible] against their exports ha[illegible] pelled some Japanese [illegible] tronics companies to in[illegible] the U.S., while the grow[illegible] portance of the dollar in [illegible] trade has been one of the [illegible] behind the rapid growth [illegible] vestment by foreign bank[illegible]

Predicting whether or n[illegible] rapid expansion of the f[illegible] *corporation's stake in th[illegible]* will continue is a haz[illegible] exercise. There is, to [illegible] tent that profits are n[illegible] mitted home, a built-in [illegible] sion inherent in the c[illegible] ment to new projects [illegible] tained earnings. Curren[illegible] the Commerce Depart[illegible] basis about half of the $ [illegible] *year now being invested* from retained earnings. [illegible] with the U.S. inflation ra[illegible] higher than some oth[illegible] dustrial countries and [illegible] costs rising, a more [illegible] mood may be emerging.

Last year, for exampl[illegible] visional Commerce Depa[illegible] statistics suggest some sl[illegible] in the pace in the fourth [illegible] ter, reflecting perhaps [illegible] payment of dollars fro[illegible] affiliates to their foreign [illegible] companies. On the other [illegible] the factors which have [illegible] mergers and acquisitions [illegible] tive to major U.S. corpor[illegible] and have led to the U.S. [illegible] boom of the past 18 m[illegible] apply to some degree to [illegible] *foreign multi-nationals t*[illegible]

Stewart Fle[illegible]

PLANT EXPANSION

(Some major plant expansions announced in the U.S. las[illegible] by foreign-controlled corporations)

	Project and State location	Co[illegible]
Shell Oil	Ethylene plant Louisiana	[illegible]
Alumax (controlled by Amax 50 pc, Mitsui 45 pc and Nippon Steel 5 pc)	Primary aluminium plant S. Carolina	[illegible]
ICI/Solvay et Cie./Champlin Petroleum	Ethylene cracker Texas	[illegible]
Hoffman La Roche	Plants in Texas and New Jersey	[illegible]
Honda	Motor cycle plant Ohio	[illegible]

BUYERS FROM EUROPE

(Some actual and proposed acquisitions of U.S. businesses during the past year)

Buyer	U.S. Company	Approx $[illegible]
Unilever (U.K.-Holland)	National Starch and Chemical	[illegible]
Nestle (Switzerland)	Alcon Laboratories	[illegible]
Thyssen (W. Germany)	Budd Company	[illegible]
Bayer (W. Germany)	Miles Laboratories	[illegible]
Beecham (U.K.)	Calgon	[illegible]
Henkel (W. Germany)	General Mills Chemical	[illegible]
Racal (U.K.)	Milgo Electronics	[illegible]
Turner and Newall (U.K.)	Philip A. Hunt Chemical	[illegible]
Cadbury Schweppes (U.K.)	Peter Paul	[illegible]
Consolidated Goldfields (U.K.)	Hydro Conduit	[illegible]
Glaxo Holdings (U.K.)	Meyer Laboratories	[illegible]
Tilling (U.K.)	Clarkson Industries	[illegible]
C. and J. Clarke (U.K.)	Hanover Shoe	[illegible]
Boots (U.K.)	Rucker Pharmacal	[illegible]

FINANCE IN THE U.S. V

The trading floor of the New York Stock Exchange.

Setting up cash for a deal

ONE OF the first things any foreign company planning a U.S. acquisition learns quickly is that financing the deal is generally the least of its problems. The U.S. has the largest capital market in the world and with upwards of 14,000 banks the *financial community is hungry* for business. If Chase Manhattan turns its nose up at a deal, that is not to say that the *First National Bank of Boothill* will do the same. It pays to shop around.

Most foreign acquisitions are made via an *uncontested* cash tender offer. One of the requirements which need to be met when this route is being followed is that the purchaser demonstrates to the Securities and Exchange Commission how it is going to finance the acquisition. For the big Continental *companies* such as Bayer, Nestlé, or whichever, this is rarely a problem since they simply transfer cash from their domestic resources. However, for U.K. companies it is slightly more difficult because of the stringent Bank of England Exchange controls which limit the amount of capital which can be exported. U.K. companies could send money out through the dollar premium but in practice this is very much a last resort. In practice U.K. *companies* normally finance the bulk of their U.S. acquisitions either locally or through the Eurodollar market.

The easiest type of financing in the U.S. is bank financing, and this forms the key plank in most foreign acquisition *strategies where it is necessary* to raise external funds. One of the obvious advantages of borrowing from a bank is that there is tremendous flexibility. A company might want to *refinance* its acquisition in the Eurobond or private placement market at some future date, but in the meantime the acquisition can be financed by bank loans. This enables a foreign company to wait until conditions are just right in the debt markets and there is normally no penalty for pre-paying a term loan early. Consequently, a foreign company could raise a five year bank loan *for* the full amount of the acquisition and then find after 18 months that the time is right to refinance its acquisition in the long term debt market.

There are plenty of other advantages. A bank line of credit can be put together in a matter of hours for a top corporate name. The amounts of money which can be raised are substantial and run into hundreds of millions of dollars. In addition to speed and size, bank borrowing is done behind the scenes and requires nowhere *near* as much disclosure or documentation as private placements, for example. For many European companies this is an important attraction.

Naturally, the banks often impose restrictive covenants on the borrowers but there are no hard and fast rules. The bigger the company the less restrictive the covenants tend to be. As far as maturities are concerned borrowers can normally raise *funds for 5-7 years.*

There are cases of banks going as long as ten years and some are even prepared to lend *fixed rate money for that period* as well.

Once a company has decided to seek bank finance, it has to choose whether to raise it in the domestic U.S. market or the Eurodollar market. In both cases the proceeds are the same but at any one time one of the *markets is cheaper. In the U.S.,* loans are normally priced according to a formula linked to prime rate with an allowance made for compensating balances. In the Euromarkets there is no need for compensating balances but a commitment fee of perhaps ½ per cent. is *charged.*

Eurodollar rates are normally slightly higher than U.S. domestic rates but since the removal of capital controls earlier in the decade both markets appear to have been an equally important source of funds for financing U.S. acquisitions. At the moment Eurodollar borrowing is slightly cheaper and a good quality company could probably raise five-year money at ¾ of a per cent. *over London Interbank Offerred* Rates (LIBOR).

Choice

Given that bank finance is not normally available for terms beyond 10 years, most companies wish to refinance their U.S. bank borrowings at some stage. Apart from the small elite such as ICI and BP which have gone through the whole paraphenalia of registering with the *Securities and Exchange Commission* and thereby gained access to the public debt market, foreign companies normally have the choice of tapping the Eurobond market or the U.S. private placement market.

Until the beginning of last year the Eurobond market was closed to U.K. borrowers with the exception of a handful of top names, such as ICI. However, now that it is open again and maturities are stretching out to 15 years it has become an attractive source of finance for U.S. acquisitions. Unlike the bank market, the big attraction of the Eurobond market is that a borrower can raise fixed, as opposed to floating rate money. Since the U.K. debenture market has been closed for some years this is especially attractive to U.K. companies. In addition, the degree of disclosure and the documentation is considerably less onerous. The traditional Eurobond investor—the infamous Belgian dentist—is far less demanding than the big U.S. institutional investors when it comes to covenants and disclosure. This *is one of the main reasons why* the market has been so successful, and on balance U.K. companies normally prefer to tap this market unless it is seen to be much more expensive than the U.S. debt market.

However, the Eurobond market is not always open to U.K. borrowers and consequently they then have to turn to the private placement market. There are instances where private dollar placements have been done in Europe and in the Middle East but rarely does the maturity extend beyond *ten years and apart from* the fixed rate this source of finance has little advantage over a traditional commercial bank loan. For domestic U.S. companies the U.S. private placement market is a very important source of finance for periods of 15 to 20 years and upwards of $20bn. is channelled through this market annually. Top quality companies can easily raise anything from $10m. to well over $100m. at one go, but it is still a slightly mysterious market for foreign companies and although its advantages are well rehearsed, *foreign companies have probably* raised less than $1bn. on this market since U.S. capital controls were scrapped, and the figure may be as low as $500m.

There are a number of problems. First of all, the main investors in this market—the U.S. insurance companies—have legal *limits on how much they* can lend to foreign entities. Typically, it is just 1 per cent. of their assets. Naturally, this puts a ceiling on the amount of money which can be raised. In addition, the institutions are conservative and put a premium on quality and size. Consequently, it would be difficult for a relatively unknown U.K. company with a net worth of less than £50m. say, to come to this market. When a foreign *company does tap the market* it has to disclose a considerable amount about itself and agree to certain covenants which are often more onerous than it is subject to back home. Legal fees tend to be high and one banker in London, for example, cited a case where up to 12 sets of lawyers were involved in a complicated private placement. The big institutional investors are much more thorough than their European *counterparts.*

However, there are signs that the big U.S. institutions are becoming more agreeable to in*vesting in foreign companies*—the opportunity to visit the borrower's head office in Paris rather than Newark, New Jersey, may partly explain this. More important, foreign borrowers are now structuring their loans so that they can be treated as a U.S. domestic borrower. If a foreign borrower can "domesticate" the loan, the amount of money that the insurance companies can put *up is considerably in*creased since they do not have to abide by their 1 per cent. rule. Consequently, if a foreign *company can prove* that its U.S. acquisition is strong enough to borrow in its own right, access to the private placement market is made much easier. In addition, the amount of money available is growing because a number of new institutions are moving into this market such as the Savings and Loan Associations and pension funds.

When the money is available the terms normally look attrac*tive by U.K. standards. A top* U.S. borrower would probably be able to raise $50m. of 15-20 year money at around 8¾ per cent. at the moment. A foreign company would have to pay a premium but would normally be able to raise the funds at *below 10 per cent.*

The premier source of U.S. capital for any foreign company is the public debt market which is traditionally referred to as the "Yankee" bond market. The bulk of the money raised here is for foreign Governments and only a handful of foreign companies have access.

The disclosure requirements are such that few companies are prepared to make the effort. When ICI first came to the market a few years ago it had to change its accounting policy and spent a staggering amount of money and legal time complying with SEC rules. Presumably, it feels it was worth the trouble and it now has access to a cheaper source of finance than *either the bank or private placement* market—at the turn of the year it issued $175m. of 25 year debentures on a coupon of 8⅝ per cent. But for most U.K. companies, getting an SEC registration is more trouble than it is worth.

Swaps

In recent months a number of U.K. companies have been financing their U.S. acquisitions through currency swaps. This is a relatively new off-shoot of the back-to-back or parallel loan which has been a popular means of financing U.K. investment trusts' Wall Street portfolios in the past. Continental Illinois Ltd., the U.K. merchant banking arm of the Chicago bank, *has carved a special niche for* itself in this specialised field. Basically, what CI does is to find a U.K. company with surplus liquidity which wants to acquire dollars and then matches it with a U.S. company which has plenty of dollars and wants sterling. And CI stands in the middle. The *currency* swap, as its name implies, is a straight-forward exchange of currency rather than a loan agreement and whereas a back-to-back loan can inflate a company's balance sheet and adversely affect its gearing the currency swap has the advantage of being off the balance sheet.

It will only appear as a footnote indicating a contingent liability. CI reckon that around $250m. of such deals have been put together over the last year. The sums raised vary between $5m. to $25m. and maturities of *ten years are about maximum* at the moment.

While this sort of deal is attractive to U.K. companies at the moment because they have plenty of surplus liquidity its potential is limited for deals above $25m., since it is hard to *find counterparties willing to* advance very large sums. For the big company, bank finance will continue to be the main financing vehicle with the Eurobond and private placement markets providing the opportunity to refinance borrowings at some later stage if necessary.

William Hall

Europeans shop carefully

THERE HAVE been times during the past year or two when the rush by European companies to invest in the U.S. has shown signs of becoming a stampede. While the underlying economic and commercial reasons for making U.S. acquisitions are sound, there is a danger that some companies, in the desire to keep up with the latest fashion, will make bad buys. One is reminded of the period immediately before and after the U.K.'s accession to the EEC, when a number of British manufacturers tried to establish themselves quickly on the Continent by buying a local company and later found they had bought nothing but a collection of management problems. The indications so far are that the new U.S. investors have learnt from these mistakes — and from the "merger mania" of the 1960s.

Most of the acquirers have been taking a cautious and realistic approach. The tendency has been to go for well-managed, medium-sized companies which have a strong position in a particular market —not necessarily a market in which the acquiring company already competes (this could lead to antitrust complications), but one which is near enough to its main business for the management to understand.

Ideally

Ideally, perhaps, the investing company should be so confident in its technology, the quality of its products and its selling ability that it can afford to put up its own factories and attack the market in it own way and with its own people. This was the route followed, for example, by Michelin of France, which since its first investments in the U.S. in 1974 has steadily enlarged its share of the domestic tyre market—mainly on the basis of the technical merits of its products.

Clearly this is a policy which is much easier to pursue if the market has already been developed by direct exports from the home base. Thus Volkswagen already has a nationwide network of dealers built up from many years of exporting to the U.S.; the products from the German company's new Pennsylvania factory, due to come on stream later this year, have a ready-made outlet. In the same way Sony built its own TV set factory in California, and Honda is planning to build a factory to make motor cycles, perhaps to be followed by a car assembly plant.

Cutting printed circuit plates at Siemens, Munich.

Yet even those manufacturers which already have an established market for their products often prefer to acquire a domestic company in the same field. Such an acquisition provides a manufacturing presence in the market more rapidly than the construction of a greenfield plant and often brings marketing advantages. It was for that reason that Matsushita, instead of following the example of its rival Sony, decided in 1974 to buy the TV set operations of an American company, Motorola—although the subsequent performance of that acquisition may have made the Japanese company wonder whether its own greenfield operation might not have been preferable.

As in any other country, the well-managed company with a strong market position tends to be expensive; the owners are reluctant to sell, except at a price/earnings multiple which some European investors find hard to swallow. The Motorola plant would presumably not have been for sale had it not been in commercial difficulties, in common with most of the smaller TV set manufacturers in the U.S. Philips, the leading European consumer electronics company bought Magnavox in 1974 for much the same reasons as Matsushita.

The idea of deliberately looking for a badly managed company, buying it cheap and then making a killing by turning it round is not one which has appealed to European investors. Where foreign owners have found themselves in the position of having to rehabilitate a company in trouble, the results have not been impressive. For example, Creusot-Loire, the French special steels and engineering group, first tried, in 1974, to establish a relationship with Alan Wood, a family-controlled steelmaker. Although it acquired a minority stake it was unable to develop a partnership and later sold its shares. Two years later the French company bought control of Phoenix Steel, a special steels manufacturer which had had a poor profit record. The hope was that with new management, better technology and a substantial investment in modern steel-making facilities the company could greatly improve its market position and start making healthy profits.

It is still too early to judge the results of Creusot-Loire's investment, but the impression from this and other cases is that European investors should not be over-optimistic about the speed with which a sick American company can be restored to health. Another less-than-successful experience, at least in the early stages, was that of Plessey, which bought Alloys Unlimited in 1970 and had to put up with several years of losses before the company began to come right.

The reasoning behind Plessey's purchase could not have been faulted. To quote from the explanatory letter to shareholders in 1970, "Your company will acquire immediately a number of products and know-how which are important to our successful development in world markets and which, because of the rate of change of technology, it would be impossible to attain on our own on an acceptable time scale or at a tolerable development cost . . . At the same time we shall achieve in the U.S. a substantial technological and manufacturing base and an opportunity for our existing businesses to increase their penetration of the world's leading market."

It is precisely this line of argument which has led other European electrical and electronics companies, such as Philips and more recently Siemens, to acquire stakes in the U.S. integrated circuit and micro-computer industries. Siemens, which now has control of Litronix and a minority stake in American Micro Devices, needs access to American technology if it is to maintain and improve its position in the world electronics markets. Similarly GEC has made no secret of its desire to establish a bigger presence in the U.S., probably though not necessarily in the electronics and related fields. It has hired Mr. Geoffrey Cross, formerly managing director of ICL, to act as an American-based "scout" to look for businesses which could be of interest to GEC.

Risks

Investing in the U.S., especially in advanced-technology sectors, involves high risks; it is easy to make mistakes. One way of reducing the risks is to form a partnership with an American company which already has an established position in the field. This can sometimes lead to antitrust complications (for example, the joint venture between Bayer of Germany and Mobil in polyurethane chemicals had to be dissolved), but where the joint venture has only a small share of the relevant market these problems are unlikely to arise.

One interesting example of this approach was the decision by Fiat and Allis-Chalmers to pool their worldwide interests in construction machinery in a joint company controlled by Fiat. In one sense this was a move by Fiat to fill-out its line of construction equipment by including the larger machines developed by Allis-Chalmers for the U.S. market. But another objective was to secure, through the relationship with Allis-Chalmers, direct access to the world's largest market for this type of equipment. Allis-Chalmers, though very much smaller than the leaders in the field such as Caterpillar, had an established position on which Fiat could build. In much the same way Siemens has formed a partnership with the same American company—again with Allis-Chalmers holding a minority position—in power generating equipment. Another example is the marketing agreement announced last week between Renault and American Motors.

An extension of this approach, involving higher risks but avoiding the financial and management problems of a partnership, is to buy outright the unwanted subsidiary of a large American group. During the past few years there has been something of a "de-merging" process going on in American industry. After the 1973 oil crisis and the general realisation that growth and profitability would be more difficult to achieve in the future, a number of U.S. companies decided to divest themselves of peripheral businesses which they had acquired, for reasons of diversification, in the 1960s and early 1970s.

Many of these businesses were perfectly sound, but were considered too remote from the parent's main field of activity to justify further investment. This process has created opportunities which European acquirers have been quick to seize. Henkel of Germany has bought the chemical subsidiary of General Mills. Beecham has bought the Calgon water-treatment business from Merck and more recently an animal health business from Rohm and Haas. Thomas Tilling is planning to buy Eaton Corporation's security products business—these are some recent examples.

As long as the price is right this type of purchase can offer the best of all worlds—an established business with a strong market position, a sound management already in place and none of the legal and other complications of appealing directly to shareholders. For many foreign companies it is the preferred method of entry into the U.S. market.

Geoffrey Owen

Union movement image short of lustre

ONE OF the starkest contrasts in the U.S. to-day is between those responsible for running large American corporations and those with the task of representing some of their employees. The economic instability which has marked the 1970s has shorn American management of much of its complacency and nowadays the quest for improving managerial skills and innovative techniques occupies a great deal of time and resources.

The trade union movement, on the other hand, has never had less cause to be complacent and yet rarely has it seemed so lacking in initiative and in dominant personalities to give leadership and direction. Not it must be pointed out, that this is a common perception of most Americans. Survey after survey points to a widespread belief that the union movement has too powerful a leadership which has only to pull a string for the Administration and Congress to jump. Unions are widely seen as excessively monolithic and self-interested and as a group altogether too powerful. This image is part of the paradox of American unionism.

The American Federation of Labour—Congress of Industrial Organisations is a highly professional lobbying organisation skilled in the exercise of political leverage. American laws governing working conditions and the maintenance of health standards are among the most enlightened in the world and testify to a union leadership which has had other priorities apart from the pay packet. Standards of pay and fringe benefits gave the American industrial worker a quality of life which was the envy of his counterparts around the world.

Yet rarely has trade unionism stood in such low public regard in the U.S. and rarely have trade unions found it more difficult to extend their membership lists. Twenty years ago some 35 per cent. of the American labour force belonged to a trade union: to-day the unions organise a little over 20 per cent. and the proportion is declining every year.

The result is that the movement rests on a few traditional and highly important peaks—steel, motors, chemicals, coal, transport—but has made little effort to descend to the foothills to organise in the service industries, and in such newly developed sectors as electronics.

Instead of reviving long-forgotten organisational skills, the movement has increasingly come to look for panaceas such as the labour law reform legislation now before Congress. This would, it is true, remove some of the impediments which truly hostile employers have been able to erect in the face of a union recruitment drive but it is unlikely to create—as some union leaders would wish to believe—a new dawn for the movement.

Campaign

The Amalgamated Clothing and Textile Workers Union, which is attempting to organise workers employed by the recalcitrant J. P. Stevens company, privately admits that the Bill would give it only marginal aid in winning a campaign which it has christened "Operation Jericho." Although the union's attempts to remove Stevens outside directors have recently captured the headlines, its dogged attempts to convince the rank and file Stevens employees of the virtues of union membership is the example which other unions ought to follow.

Their failure to do so is highlighted by the fact that unions are winning barely half of the recognition elections which are held every year and although many employers use a variety of tactics to influence their employees' vote, their efforts cannot alone account for the unions' poor rate of success.

Lack of organising ability and determination is part of the determination is part of the explanation and uninspiring national leadership is another. Discussion on this point inevitably centres around the personality of Mr. George Meany, the 83-year-old who was re-elected to another two-year term as AFL-CIO president last December. Mr. Meany's domination of the movement is unquestioned and his access to Presidents and key legislators second to none. But i is the movement's misfortune that he should have come to personify many of the attitudes which make the movement unpopular. Moreover, his style of leadership is not one which is calculated to appeal to the young American worker, male or female.

Lastly, Mr. Meany is reluctant to acknowledge that there is a membership problem and argues that the union movement's influence extends far beyond its numbers and that this fact is reflected in the degree of political influence which it can bring to bear.

Despite some setbacks last year this influence is considerable and the labour law reform Bill has Administration backing—as did the eventual minimum wage legislation which raised the minimum wage by 15 per cent. at the start of this year, with further increases to come.

The higher minimum wage is thought by many economists to be a positive contribution to unemployment, which already looms large in union calculations. Job security is an increasing preoccupation in collective bargaining and new contract negotiations next year in the motor, steel and other industries are expected to concentrate on the issue as never before.

Employers on the other hand are more and more concerned to control or even take back union gains on fringe benefits. The railways, the coal industry, New York City in its bargaining with public employees, these are all examples of employer attempts to focus the spotlight on raising productivity.

Job security provisions, achieved either through collective bargaining or legislative process, tend to be less extensive in the U.S. than in some parts of Europe and this is sometimes one of the attractions of investing directly in the U.S. Many U.S. managers feel, however, that their jobs are no more secure than those of their employees and a survey by the Conference Board, the business research organisation, indicated last year that the positions of many senior corporate executives are much more open to challenge from a company Board than ever before. The role and performance of company directors has become a popular topic for study and debate, not least because of the series of scandals over improper corporate payments at home and abroad.

According to the Conference Board, company Boards are now demanding and getting better information about company affairs and they are challenging management on major issues and even removing top company officials when they feel that dismissal is justified. This revival of authority is being encouraged by many managements and sought by directors who fear exposure to lawsuits, a loss of public confidence in business and growing government interference in corporate operations.

An important development has been the increasing popularity of audit committees, which are comprised of outside directors and traditionally audit a company's financial records and reports. The Conference Board found that some of these committees were breaking new ground and were also examining aspects of the company's social responsibility and "ethical conduct." Executive compensation committees have also become a popular feature aiming to reassure stockholders that management is not overpaying itself.

It is not clear whether such developments are related to perceptible changes which have been taking place in the composition of company boards. One recent study showed that the number of bankers in corporate boardrooms was declining while former Government officials and academics were on the increase. Outside directors' annual fees last year amounted to $10,900 but those who sat on Boards of companies with sales exceeding $1bn. took home $15,130.

Debate

In view of the intense debate in the U.S. over the role of outside directors, one of the study's most interesting findings was that nearly a third of $1bn. companies had established nominating committees to screen possible candidates for the Board. This is seen as a strike at the network of personal contacts which often supplies outside directors for company Boards.

Another study, this time by the management consultants Heidrick and Struggles, found at the end of last year that chief executives employed by the 500 largest industrial companies earned on average $261,000 in cash and bonuses. Most owned no more than 1 per cent. of the outstanding stock of their companies, and a majority found their way into their jobs through personal contacts. Marketing was the background most commonly shared by these executives and although they averaged 3.6 weeks' holiday a year, the majority had not taken longer than two weeks at a time for more than five years.

J.W.

FINANCE IN THE U.S. VII

The quest for new technology

…E COULD argue that …st for new technology …ost important influence … the recent rise of over… …estment in the U.S. Yet …le the powerful econo… …sons that have turned … one-way flow of invest… …apital out of the U.S. …wo-way flow, there have …gns of another reason— …er on the part of large …n companies for skills …e areas of technology … the U.S. still leads.

…rticularly striking ex… …is to be found in the …ics business. Until the …ng of this decade the … electronics know-how …e U.S. tended to come … of the overseas invest… of U.S. multi-nationals. … profited from the local …ns of ITT, IBM, Honey… …d many others. This …pplemented by licensing …ents, continues. But the …hing moves of the past …ve been those by Bosch, … and Britain's General … to seek out and buy …in U.S. companies that …cing the running in the …ectronics field.

… is a paradox in this …end. It is widely ob… that the technological …ween the U.S. and the … the industrialised world …arrowed progressively …orld War II. In nuclear …ring, for instance, as a …of technology in large … bought from American …ies like General Electric …stinghouse (or brought …ope by them), a Euro… …anufacturer like Kraft… …nion can now claim to … most advanced in the …

…e field of uranium en… …nt the British-German … ultra-centrifuge tech… …s a world leader. In …cal engineering, chemi… …gineering, pharmaceu… …edical science, aircraft …ring, power engineer… U.S. is no longer the …gical leader it once …

…levelling process is one …factors that has swung …ince of economic forces …ur of more foreign in…vestment in the U.S. American technological leadership was one of a series of advantages that gave America its remarkable relatively high standard of living in its post-war heyday. If this leadership has now dwindled, what incentive can there now be for companies in other countries to buy into American know-how?

The answer is the "hunger" referred to earlier. All the industrialised countries are having to adapt themselves to a slower rate of economic growth. It is striking, travelling around Europe, how often one hears industrialists bemoaning the apparent lack of new and sophisticated products for their highly paid workforces to manufacture. There are companies in traditional industries like tobacco which have large funds available for diversification but cannot find the products to invest them in.

Backlog

A combination of mounting unemployment, a daunting backlog of potential productivity gains, and the ease with which modern production technology can be transferred to Third World countries has left the OECD countries casting around for areas where they can assert their technological leadership—for products in which they can excel without quickly losing the initiative to Third World countries.

This scramble for an apparently stagnant supply of new ideas is not a phenomenon confined to Europe alone. Industrial scientists in the U.S. say that the emphasis in corporate research there is tending towards low-risk, short-term projects aimed at making marginal improvements to existing products.

In quantitative terms the amount spent on R and D by U.S. industry continues to climb, but it is observed that there is a growing tendency for research money to be directed towards anti-pollution research. Some of this—that part carried out by companies manufacturing anti-pollution equipment — is "new product" research as worthy as any other.

But when one hears that General Motors now spends something like a half of its research money meeting regulatory controls, one draws the conclusion—not that this is a bad thing, for the controls may well be much needed — but merely that that much less money is being spent on new developments to titillate the consumer.

All this leaves the impression that if European companies are buying technology in the U.S. then they are buying a piece of a shrinking cake. The electronic skills of the U.S.—propelled upwards as ever by the huge research outlays of the Pentagon and (much smaller now) NASA—are the only readily identifiable field left where America holds an undisputed lead. Even here Japan is making a determined challenge, not so much by mastering the newest techniques for making integrated circuits but by overtaking the U.S. in the business of incorporating them into finished products.

There are other areas of leadership—production technology, space technology and materials technology—but not ones for which a generalised claim of American supremacy can be made.

But even if by American standards the old blend of technological and entrepreneurial flair seems to be fading, even if the over-the-counter market no longer gets excited about "technology stocks," even if the flow of venture capital in the U.S. is not what it used to be, the fact remains that America is a much more fertile breeding ground for new ideas and new products than any European country.

A recent report by Arthur D. Little on New Technology Based Firms (NTBFs) in the U.K. and West Germany lamented the low number of such firms that had been established in these two countries compared with the number in the U.S. It said: "The number of NTBFs set up since 1950 and still in existence is about 200 in the U.K. and probably fewer in the Federal Republic. The total sales of these firms were over £200m. in each country in 1975. By contrast, there are several thousand NTBFs in the U.S. and their sales run into billions of dollars."

The Little report listed the extraordinary number of American cases in which inventions by individuals had been developed into industries employng thousands. Three technological industries—television, jet travel and digital computers—did not exist as industries in 1945 but 20 years later contributed $13bn. to the U.S. GNP and provided almost 1m. jobs.

It pointed out that Polaroid instant photography was not developed by the U.S. photographic industry but began with venture capital. The Xerox copying process was developed outside the office equipment industry after large corporations like IBM and Eastman Kodak had turned down the opportunity to exploit Xerography patents.

Attitude

The report then listed the factors that make America a fertile technological seed-bed. These include the very large domestic market; the availability of private wealth; a fiscal framework that encourages private risk capital; the over-the-counter market for the shares in small companies; a society which encourages the entrepreneur; the entrepreneurial attitude of American scientists and large Government expenditure in high technology areas.

These are the differences that provide a technological inducement to Europeans to invest in the U.S. The U.S. may no longer be the world's undisputed scientific leader but it remains well to the fore and above all able to invent, develop and market new products in a way which, if not what it was 20 years ago, still makes the country a hotbed of new ideas for any European company that chooses to invest there.

Nicholas Colchester

Foreign banks now a vital factor

…EY sectors of the U.S. …y have been as clearly … by foreign direct invest… …banking. Over the past …rs foreign banks in the …ve been going through, … unnoticed outside bank… …les, a period of pheno… …expansion.

…me areas of the country … York in particular— … banks have become a …ctor in major segments …banking market. It is not … to hear senior banking …ves in this city complain… …ut cut-price competition. …d, were it not that U.S. … already have valuable …f the business in the …ers' own domestic … it would not be hard …age a protectionist back… … far, however, the U.S. …ional bankers, while en… …f some of their rivals' … to open branches in … States while they are …ed to one, have had their …tied by the concept of …city. Any attempt to curb … bank's operations in the …nd there have been … already—could inspire … government reactions … overseas operations of …nks. The latter have been …ly circumspect in their …h to issues raised by the … banking expansion.

…e

… of the most recent …developments—including …mple, last month's an…nent that Hongkong and …ai Bank was interested …uiring a major equity … the nation's 12th largest …cial bank, Marine …i — have focussed atten… … foreign banks. But the …tion of stakes in U.S. …or of entire U.S. banks, …y the most obvious signs …expansion underway.

… officials at the Federal … Board in Washington, Mr. Henry Terrell and Mr. Sydney Key, have charted the growth. Their figures suggest that between November 1972, when foreign banking legislation was first proposed, and November 1977 the standard banking assets of foreign banks rose from $18.3bn. to almost $55bn., and by January this year had reached $58bn. Standard banking assets exclude clearing balances and balances due to directly related institutions. If these items are included total assets would be around $80bn.

For the sake of comparison the standard banking assets of the U.S. banks which report weekly to the Federal Reserve Board were in November last $523bn. The weekly reporting banks comprise in the main the money market banks which compete most directly with the foreign banks. Their assets account for about half the total assets of all banks in the U.S.

More startling is the share of the commercial and industrial loan market which foreign banks have gained—in particular the growth of their market share at a time when the big U.S. banks have been stagnating domestically in terms of commercial and industrial loans.

Thus in November last foreign banks had $22.5bn. of C and I loans compared with $121.7bn. for the weekly reporting banks. Overall, and more significant, the foreign banks' operations are concentrated in New York, Illinois and California. Thus in New York, where two-thirds of foreign bank assets are situated, the foreign banks have around 37 per cent of the commercial and industrial loans of the weekly reporting banks; in California the figure is 31 per cent.

Furthermore, as Mr. Terrell and Ms. Key point out, while the weekly reporting U.S. banks reported a decline in commercial and industrial loans between November 1974 and November 1977 of $13.7bn. to $115.7bn., the foreign banks increased their C and I loan volume by $2.9bn. to $20.7bn.

Competition

The most likely—and commonly held—explanation of this trend is that foreign banks were ready to cut the price of their loans in order to increase volume and were able to fund themselves because money market interest rates were well below prime rates in the latter part of this period. Thus foreign competition, and not just money market competition, would appear to have been a significant factor in the breakdown of the prime rate lending structure in the past two years or so.

Observers suggest that increasingly the foreign banks are invading the territory of their U.S. competitors, making inroads into the U.S. banks' customer base. They are apparently using their growing base of lending to other foreign corporations in the U.S. as a springboard for lending to U.S. corporations in the top Fortune 500 list. They are also relying less on money markets or their foreign parents for funds and drawing deposits from retail or certificate of deposit markets, as do their U.S. competitors.

Some of the major foreign invaders, like Barclays Bank in New York, Lloyds Bank of California, the six foreign owners who control European-American Bank and Trust, and the Bank of Tokyo with its California First Bank subsidiary, have broken into the retail banking market, acquiring U.S. branches. But others, most noticeably the Japanese banks, have upgraded agency operations to branches in order to be able to issue Certificates of Deposit in the U.S. to fund themselves.

The rapid growth of foreign banks over the past five years is rooted in a variety of factors. One of course was the opportunity they saw for profitable expansion in the U.S. in lending to other foreign corporations. The Japanese banks in particular based much of their early growth on the financing of Japanese corporations in the U.S. with funds indirectly, at least from their parents in Japan.

One reason why the U.S. is an attractive location for foreign banks is the size of its domestic financial markets, which provide foreign banks with a convenient investment outlet as well as a source of dollar financing. As Mr. Terrell and Ms. Key point out, the attractiveness of establishing a banking facility in the U.S. is increased by the role of the dollar as a transactions currency in world trade and investment. The relaxation of capital controls in the U.S. in January 1974 increased the desirability of U.S. markets to foreign banks since they could offer credits to foreign borrowers free of restraint.

Another factor has been that many foreign banks, particularly if they take the form of agency or branch operations, can have certain competitive advantages over their U.S. rivals, including freedom to open branches in more than one State, a freedom denied to most U.S. banks by the Banking Act. They can also be free of the Glass-Steagall Act of 1933 which forces U.S. commercial banks out of the public underwriting of securities.

Congress has been debating changes in the law relating to foreign banks to bring them into line with restrictions faced by their U.S. competitors. But although legislation passed the House in 1976 it did not get into the Senate and is now being reviewed. In the meantime the foreign banks continue to expand rapidly.

S.F.

Coping with antitrust legislation

ANY FOREIGN company contemplating an acquisition in the U.S. needs to be well equipped with legal advice. If the takeover victim decides to resist, there are numerous legal manoeuvres available which at least will prolong the negotiations and in some cases will frustrate the deal altogether. It sometimes appears that the instinctive response of a U.S. board of directors, when faced with a tender offer for the company's shares, is to appeal to the courts and claim some infringement of Federal or State laws; such devices gain time in which a stronger defence can be prepared and perhaps better terms negotiated.

At the same time the would-be acquirer has to be prepared for the not wholly predictable intervention of the U.S. antitrust authorities, in the form either of the Justice Department or the Federal Trade Commission (FTC). While the objective of the antitrust laws is straightforward enough, to preserve and promote competition, their interpretation by the courts and by the enforcement agencies leaves plenty of room for doubt as to whether a particular transaction may or may not run into trouble.

These legal obstacles are, of course, just as onerous for a domestic as for a foreign acquirer; there is no evidence that U.S. courts or the antitrust *agencies discriminate against* foreign companies — except to the extent that outsiders are less familiar with the American legal jungle. Most European acquirers are well aware of the risks and are prepared to meet them.

A classic case was the bid by Imetal, the French non-ferrous metals group, for Copperweld in 1975. The management of the American company resisted the bid fiercely. Apart from enlisting the support of their employees and the local community, they made use of every legal device available to defeat the offer; some States have laws which provide for a lengthy review period before a tender offer can take effect.

Yet the most significant aspects of this battle were, first, that Imetal, convinced that its offer was fair and determined to press on with it, was able to deal with the legal challenges thrown at it, and, secondly, that the courts showed no disposition to favour the defending management at the expense of shareholders. Temporary injunctions were granted but, as one judge remarked, "In the absence of a compelling reason, we do not *believe that one's right to deal* with his property in the marketplace should be abridged."

Imetal was eventually able to make peace with Copperweld's management and employees; the offer was successful. Sometimes a company's *hostile stance* can change much more rapidly. When Babock and Wilcox bid for American Chain and Cable, also in 1975, the first offer was scornfully rejected, not only as unfair to shareholders, but as contrary to the securities and antitrust laws: an injunction was sought seeking to prohibit Babcock from proceeding with the offer. Within a few weeks, however, after Babcock had increased the offer price slightly, the merger was agreed.

Competitive

A potentially more serious problem is antitrust. Recent cases have shown that when a large foreign company proposes to take over, or acquire an interest in, a large American company in the same or a related line of business—even if the foreign company has no operations of its own within the U.S.—the deal may be challenged.

In some cases the antitrust authorities may order the acquiring company to dispose of part of the acquired company, so as to preserve competitive conditions, or the possibility of competitive conditions, in a particular sector. Thus ICI, which acquired Atlas Chemical Industries in 1971, agreed to an FTC order requiring the divestiture of Atlas' explosives business and promised not to take over any explosives company in the U.S. for ten years. In 1969 the merger between British Petroleum and Standard Oil of Ohio (Sohio) was approved by the Justice Department on condition that the two companies hived off some of their retailing and distributinon activities.

A particular source of anxiety is the doctrine of potential competition. According to this theory, there may be large and powerful companies which do not at present compete in a particular sector, but have the resources and skills to do so. If they decide to enter the industry by buying one of the leading companies in it, this may have serious anti-competitive effects; it will tend to raise entry barriers for other potential entrants and it may reinforce the already oligopolistic structure of that industry.

Such an acquisition by an "actual potential entrant," according to the theory, must be prevented: if the large and powerful outsider wishes to enter the industry, it must do so either by building its own operation *de novo* or by acquiring a toe-hold in the form of one of the very small companies; in this way it will increase competition in the industry, not reduce it. The clearest example of this doctrine as applied to U.S. companies was the case brought by the FTC against Procter and Gamble's takeover of Clorox, the leading company in the household liquid bleach market; the FTC view in this case was upheld by the Supreme Court in 1967.

The doctrine has particular relevance for a foreign company, especially one with little or no experience of U.S. operations. While it will sometimes make sense for a company to start its own manufacturing operations from scratch (as, for example, Michelin and Volkswagen have done), there are many cases where the commercially sensible approach is to buy a substantial presence in the market by acquiring one of the leading companies in the field.

That was the argument used by BOC International, the British industrial gases company, when the FTC challenged its acquisition of a 35 per cent. stake in Airco, one of the leading U.S. companies in this market. The British company argued that it made no sense to start an operation de novo; it would cost at least $240m., the company said, and take ten years before it became viable. As for toe-hold acquisitions, none of the small companies in the industry provided an adequate *base on which to build.*

Much to the relief of BOC—and of other foreign companies—the FTC case was dismissed by the Appeal Court last year. Since the FTC decided not to appeal to the Supreme Court, the Appeal Court ruling stands as the latest exposition of the potential competition doctrine.

Pointing out that the issue lay "at the frontiers of the antitrust laws," the judge argued, first, that BOC was not in any sense a "perceived" or "recognised" potential entrant, whose *presence "in the wings"* exerted a pro-competitive effect on the market. Secondly, the FTC had provided no evidence that BOC, if forced to divest itself of its stake in Airco, would in the reasonably near future enter the market in the some other, pro-competitive way.

While the FTC did not have to prove that entry by BOC was "imminent," it had to show "some reasonable temporal estimate related to the near future." No such evidence was provided; the judge concluded that "remote possibilities" could not be the basis for deciding that a particular acquisition infringed the antitrust laws.

Victory

Whether BOC's victory will impinge on other cases affecting foreign companies remains to be seen. One outstanding case involves the acquisition by Nestle, the Swiss-based foodstuffs group, of Stouffer, a frozen foods company. The FTC argued that the merger would eliminate Nestle as an actual or potential competitor in certain markets, that Stouffer's dominant position in its field would be strengthened and that barriers to entry would be raised still further.

Another unresolved case concerns SKF, the Swedish ball-bearing company, where the FTC is seeking the divestiture of several U.S. companies acquired by SKF. These cases differ from that involving BOC in that both SKF and Nestle have been established in the U.S. as manufacturers for many years.

The reaction of the authorities will normally be influenced by the share of the market which the acquired concern holds. If it is less than 10 per cent., there is unlikely to be a problem. If it is between 10 and 20 per cent., the deal will be closely scrutinised. Anything above 20 per cent. is in the danger zone.

It is no doubt for this reason that several European companies, anxious to expand their stake in the U.S., have deliberately sought acquisitions outside their main lines of business. Three recent examples are Nestle's bid for Alcon Laboratories (pharmaceuticals), Thyssen's for Budd (vehicle components) and Unilever's for National Starch (starch, adhesives and resins).

The acquirers are all large companies whose takeover activities in the U.S. are bound to be of interest to the antitrust agencies. But by bidding for companies in sectors they do not at present [...] they hope to avoid [...] complications.

In cases where con[...] is directly affected, the agencies may seek to [...] conditions which are [...] able to the foreign [...] This was apparently [...] last year when Bic [...] U.S. affiliate of the [...] company, sought to acq[...] American Safety Ra[...] sidiary of Philip Mor[...] might have expected [...] to have welcomed a ne[...] into a market domin[...] Gillette, but it seems [...] agency wished to impos[...] restrictions on the ne[...] which Bic found too [...] the French company [...] prepared to fight the m[...] in the courts as BO[...] national had done.

Antitrust can be [...] obstacle for the fore[...] pany; at the very least [...] dom of action is redu[...] these problems have n[...] exerted much of a [...] the inflow of foreign ca[...] general effect of the [...] the antitrust agencies [...] aware, is to increase [...] tion in the U.S. mark[...] reduce it.

Geoffrey

The industrial impact

Volkswagen's new plant in Pennsylvania to produce its Rabbit car is the first by a foreign motor manufacturer to be set up in the U.S. and its impact on the domestic industry will be followed with interest.

THE LANDMARK Department of Commerce survey into *foreign investment in the U.S.* published in 1976 concluded that although total investment from overseas was a relatively small factor in the American economy, it was still of significant size and scope. Over recent decades some foreign-owned companies have become household names in the U.S. and are highly respected competitors within their particular industries. Shell Oil is pretty nearly as well known as Exxon, Joseph E. Seagram as National Distillers, and North American Philips as General Electric.

Many of the companies carried in on the tide of foreign investment over the past few years will be hoping to vie with Shell, Seagram, North American Philips and others for a place in the top 20 foreign-owned companies in the U.S. and their efforts to do so will have profound implications for the established domestic companies. Experience has shown that the *immigrant investor often starts* with a technological lead and a financial and managerial commitment and will to succeed which make him a tough competitor. No matter whether the basic motivation for making the investment is currency alingnments, fear of protectionism in the U.S. or cheaper labour costs, the world's largest economy and to enjoy the benefits of a politically stable society.

Like the immigrants of a century ago, the foreign company setting up its stall in the U.S. is embracing an economic system which it may believe is in some respects superior to its country of origin. Those unwilling to concede superiority *in* the U.S. come, nevertheless, because they are convinced that locating themselves in the American market will offer more opportunities and possibly fewer long-term risks than trying to sell into the market from outside.

The list of foreign companies *which have invested in the U.S.* over the past couple of years covers virtually the entire spectrum of manufacturing and financial services from chemicals to cars, from real estate to rubber and from pharmaceuticals to fuel injection. Many are expanding or augmenting an existing investment and the fate of some initiatives is being closely watched by rivals.

Thus the future shape of the U.S. motor industry, for example, could be said to hang on the success of Volkswagen's (VW) new assembly plant in New Stanton, Pennsylvania. This $300m. facility will be the first car production plant to be set up by a major foreign rival to the domestic industry and the probability is that it *will be followed by Japanese* and possibly other European manufacturers. Financed by Eurobond issues and loans from two Pennsylvania pension funds, VW's plant opens next week and will have the capacity next year to build upwards of 200,000 of the German company's best-selling "Rabbit" small car.

Squeezed

In sheer number of units produced, this could put VW's *American plant ahead of the* smallest U.S. car manufacturer, American Motors, whose market share has fallen from 4 per cent. to about 2 per cent. over the past four years, partly because of sharp competition from the Rabbit and other imported small cars. VW sold nearly 165,000 Rabbits in the U.S. last year, but its margins were severely squeezed by the dollar's depreciation against the Deutschemark.

Fear of future currency alignments *was probably the greatest* single factor prompting VW's decision to invest directly in the U.S., and with the yen hovering at around 22.5 to the dollar, the major Japanese car producers are under similar pressure. Their experience of *manufacturing offshore is some*what more limited than VW's, but it may only be a matter of time before sales demand and currency appreciation force them to take a similar route. Honda's decision to build a small motorcycle assembly plant in Ohio this year may have considerable long-term significance.

The construction of more foreign-owned car plants in the world's largest single vehicle market will give further impetus to direct investment *by the motor industry's sup*pliers of manufactured components. The predicted expansion in demand for diesel engines has prompted Britain's Lucas Industries to set up a small assembly plant for diesel fuel injection equipment in South Carolina—which is also the home of a fuel injection assembly plant belonging to *West Germany's Robert Bosch* Corporation. Bosch offers a good example of a world market leader deciding that its major product could have no real future in the U.S. without direct investment.

Bosch's strategy, which may be the path eventually followed by Lucas, was based on opening a relatively modest assembly plant in South Carolina which originally put together parts manufactured in Germany. However, the number of domestically produced parts has been steadily increased as the company grew to know its market and trained a labour force to meet its requirements. By the end of last year the Charleston factory had been doubled in size and close to 70 per cent. of its fuel injection equipment will soon be domestically produced. Meanwhile, Bosch has benefited from greater proximity to its U.S. customers, which include General Motors, Ford and John Deere, and is expecting U.S. sales to reach $250m. in 1980.

Another vehicle-related area which could well feel the impact of direct foreign investment over the next few years is the tyre industry. An intruder, in the shape of France's Michelin group, is expected to have spent around $1bn. by the middle 1980s building eight to ten manufacturing plants in the U.S.

Michelin's first plant began producing passenger car tyres at Greenville, South Carolina, in 1975 and although the company says very little in public about its plans the scale of projected investment indicates a very serious assault on the U.S. tyre market. Renowned for its *powers of technological innova*tion, Michelin supplied radial tyres which accounted for about 9 per cent. of the Ford Motor Company's requirement last year. Rival American manufacturers cheerfully acknowledge that Michelin may snatch 10 per cent. of the U.S. market "in a period of time" and predict that this will be at the expense of smaller U.S. producers.

Meanwhile, although the impact of direct forei[...] ment on the motor ind[...] still be in its format[...] the consumer electr[...] dustry—and particul[...] television sector—has [...] ing the lash for severa[...]

Here the investm[...] been predominantly [...] although Philips also [...] Magnavox, one of th[...] U.S. consumer electro[...] panies. Japanese man[...] now have a 25 per cen[...] share, and it is still [...]

In 1974 imports of [...] factured in Japan acc[...] a relatively modest 17[...] of the market, but thi[...] tion had already g[...] stricted the U.S. manu[...] scope for raising pri[...] General Electric, Syl[...] Admiral were all [...] establish offshore [...] manufacturing facil[...] Mexico and the Far [...] as to cut labour cos[...]

At the same time c[...] panies decided to thr[...] towel and Matsushita [...] were able to purchase [...] pressed television [...] assets of Motorola and [...] Electronics in 1974. [...] Sony had already [...] assembly plant in Cal[...] *1971, so these thre[...]* Japanese companies [...] placed to shelter from [...] agreement which th[...] Administration was [...] seek because of the ou[...] a home distressed ind[...]

By 1976 the Japa[...] taking nearly 40 per [...] the U.S. colour TV m[...] they agreed last yea[...] their exports to the [...] 1.75m. units a year [...] years. This is conside[...] than the 2.9m. sold in [...] it remains to be seen [...] real protection the [...] affords given the [...] presence in the U.S.

The latter will be [...] strengthened this ye[...] joint manufacturing [...] between General *Ele[...]* Hitachi and direct *inve[...]* assembly facilities [...] bishi and Toshiba. [...] agreement with Japan [...] specify the proportion [...] produced components [...] *Japanese* companies wi[...] in their U.S.-produ[...] their competitive edg[...] only partially blunted [...]

هكذا من الأصل

The economic attraction

BASIC ECONOMIC changes in the relationship between the U.S. and other advanced industrial nations have been an important factor behind the surge of direct investment into the U.S. this decade.

But they have not necessarily been decisive in determining whether a particular company has sought a U.S. operating base. Decisions to invest have reflected equally the strengths and weaknesses of the individual companies—their financial, technological, and marketing positions as well as the ambitions and views of the people who have been managing them.

Attitudes

The latter are important because there is little doubt that — at least in the case of European investors who have played such a significant role—management attitudes towards political and economic developments in their home countries relative to attitudes in the U.S., have been important factors in investment decisions.

A common view is that much foreign *direct investment into* the U.S. in the past five years can be explained by relative changes in wage and exchange rates. It is argued that the U.S. has gone from being a high cost economy in the early 1960s, in terms of both wages and dollar values of assets, to being a relatively cheaper place in which to operate.

While this is generally true, there are exceptions which suggest that these factors are not the only key elements by any means, and that the explanation of the recent trend in direct investment into the U.S. is much more complex than this suggests.

Moreover, sharp upward movements in wages over the past ten years in the U.S. have not been accompanied by compensating gains in productivity, with the result that unit costs have been rising and whatever relative attractions the U.S. developed may be in the process of being eroded, although given the sharp decline of the dollar, not eliminated so far as decisions about whether to export to or manufacture in the U.S. are being made.

The over-valuation of the dollar in the 1960s, relative to the currencies of the major industrial nations, was a growing incentive for countries like Germany and Japan to base their penetration of U.S. markets on expanding exports.

The overvaluation of the dollar in this period did, however, prepare the ground for the surge in direct investment in this decade. It enabled many corporations outside the U.S. to build up export trade and market experience which was later to become a platform for direct investment and the outflow of dollars from the U.S. at a time when foreign governments were committed to maintaining fixed exchange rates, helped provide the monetary stimulus to their economies which contributed to their in some cases inflationary growth. This growth, however, fostered the expansion of many businesses in industrial Europe and Japan (*in* some cases through mergers) to a size which enabled them to be able to feel ready to break into the U.S. market.

Since the beginning of the 1970s, with the breakdown in 1971 of the Bretton Woods system, the at first steady and more recently accelerating decline in the value of the dollar against other major currencies of advanced industrial nations has tended to shift the balance of advantage more in favour of direct investment in the U.S. for foreign corporations seeking to do business.

The intermittent weakness of the U.S. stock market has also helped to make acquisitions in the U.S. more attractive.

These general trends in the relationships between the U.S. and the economies of other industrialised nations have been important factors in investment decisions by foreign corporations. But they have not necessarily been decisive.

In the case of Volkswagen's decision to locate a manufacturing plant in the U.S., no doubt rising unit costs in Germany and the appreciation of the Deutschemark compared with the dollar have been important, perhaps key factors in its decision.

On the other hand, the U.K. has not shared in the currency appreciation against the dollar since the beginning of the decade—on the contrary. But this has not stopped U.K. companies investing heavily in the U.S. Indeed, between 1974 and 1976, U.K. companies were the most active foreign direct investors in mergers and acquisitions, and were again among the most active last year. The U.K. experience suggests factors other than broad international economic trends are important in explaining the scale of direct investment into the U.S.

These factors, while not independent of broad economic trends, were likely to relate to the particular positions of individual corporations.

It is probably no accident that the latest surge in direct investment into the U.S. began in early 1973—a period of increasingly rapid and in some areas speculative investment by U.S. businesses around the world. Then it would seem many corporations outside the U.S., which had grown to a size close to some of their main U.S. competitors, began to feel that the time was ripe and their resources adequate to enable them to expand and diversify into the largest and apparently most stable capitalist economy.

When such companies have looked at the U.S. market, however, they will have seen that whatever the broad international trends, their own decisions on where to allocate in the U.S. or on whether to expand by acquisition or joint venture or to go it alone with a new plant will have presented very complex decisions.

Foray

For companies making their first foray into the U.S. in particular, an acquisition has often been the most attractive, and in the past few years, the most popular route. It offers the investor the advantage of being able to evaluate opportunities through assessing a going concern as well as providing ready made management.

On the other hand, in spite of depressed stock markets acquisitions have not necessarily offered a cheap way into the U.S., especially over the past two years. Unilever's offer price for National Starch and Chemical of $485m. for all the equity represented a premium of 64 per cent. over the closing price before the move was announced. It also represented an all time high for National Starch shares and a multiple of 17 times earnings.

Bayer of Germany paid 16 times earnings to acquire Miles Laboratories when it offered $47 a share for the company compared with a pre-bid price of $25 a share. Nestle paid 24 times earnings for another pharmaceutical company with its $42 a share offer—the pre-bid price was around $20 a share. And Cadbury Schweppes has offered 17.6 times earnings for a confectionery manufacturer, Peter Pauld, in a $58m. bid.

One explanation for the high premiums being paid in acquisitions is that there is a merger boom under way amongst U.S. companies. Business management, faced with the alternatives of building new plant or developing new operations, has been opting instead for acquisitions, partly on the grounds that it is cheaper to buy than to build. Thus, while share prices are depressed, the takeover market is not.

Many factors have contributed to the surge in foreign direct investment in the U.S. above historic levels, and there are many predictions that growth will continue in part because almost half of the foreign expansion in the country is financed from the retained earnings of the businesses already here.

On the other hand, if the U.S. were to go into a sharp and inflationary recession as some fear, and if this was accompanied by slow growth in the economies of the companies which have been leading the charge into the U.S., then it would be only reasonable to expect that as in 1975, the pace would slow again, since foreign direct investment, like domestic capital spending, is cyclical. On the other hand, the giant multinational businesses outside the U.S. are now much more able to break into U.S. markets and compete directly with rivals who, if not challenged, will perhaps begin to threaten them on their own markets.

S.F.

Most desirable target for the Japanese

WITHIN THE last decade Japan's outstanding direct investment in the U.S. has soared from a few hundred million dollars to well over $4bn., and it seems safe to predict a fairly rapid increase in the future.

Japanese-operated factories in the U.S. are already turning out products ranging from soy sauce to television sets, and a recent survey by Japan's Ministry of International Trade and Industry found that the U.S. ranked first among potential areas of future investment being eyed by Japanese corporations.

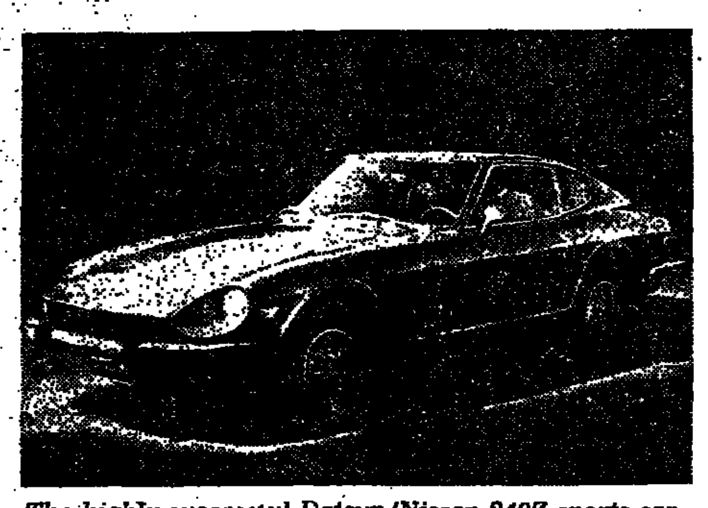
Japan's overseas investment strategy is to a considerable extent defensive in character. Of the $19.4bn. in direct overseas investment outstanding as of March 31, close to 60 per cent. was in developing countries, where the primary aim has often been—and continues to be—to ensure stable supplies of vital raw material (although, of course, another aim has often been to set up manufacturing facilities to take advantage of cheap labour).

In the advanced industrialised nations, notably the U.S., investment has gone heavily into commercial and services facilities, with the primary aim not of obtaining a great return on capital but of securing and expanding markets for exports of finished goods.

As the recent hue and cry over Japan's enormous trade surpluses with the U.S. and Europe have clearly shown, this strategy is outliving its effectiveness. In future, as far as the advanced countries are concerned, Japanese defensiveness is likely to take the form of more and more investment in manufacturing facilities, designed to head off protectionism by creating jobs rather than destroying them through exports.

Much of this investment can be expected to be made in the U.S. Production costs are no longer an obstacle in most sectors, following the surge in Japanese labour costs during the past ten years, and the huge appreciation of the yen—to the present level of around 220 per dollar from 360 in 1971. Furthermore, the U.S. offers political stability, a huge and growing market and a plentiful supply of land sites and raw materials.

Europe can sometimes offer similar advantages, and will surely also see a rise in Japanese investment. But some Japanese businessmen make little secret of the fact that they feel their investment presence in manufacturing is "not really wanted" in some European countries, that European business attitudes are too conservative, and labour relations too difficult.



The highly successful Datsun/Nissan 240Z sports car.

That feeling could have been strengthened by Hitachi Ltd.'s decision late last year to abandon plans to manufacture TV sets in Britain after it had failed to persuade trade unions the venture would not destroy more jobs than it would create.

Ventures

Japanese companies which have led the way with manufacturing ventures in the U.S. include Sony Corporation, with its colour television plant in San Diego; and Matsushita Electric, which bought the Quasar colour television division of Motorola about four years ago.

Sony had to overcome some major obstacles, including union trouble, on the way to making the San Diego plant a successful operation. For Matsushita, the Quasar workforce was very attractive, since it was organised—rather as labour often is in Japan—into a company-based union, not linked with industry-wide union activity. (Non-union shops are clearly something which Japanese companies—fearful of the clout of the big U.S. unions—are keen to find when investing in the U.S.)

After a difficult start — the company was floundering when Matsushita first took it over — Quasar now expects to show a profit this year.

Other Japanese firms have demonstrated that their methods can be successful in the U.S. One is the YKK Zipper Company, with a plant in Georgia (it also has others around the globe, including a successful venture in Britain), and Kikkoman Shoyu Company, which managed to overcome local hostility to its soy sauce plant in rural Wisconsin.

In general the evidence seems to show that the basic Japanese management philosophy of involving the employee in all aspects of corporate life, and of working to ensure that he feels he "belongs," is a highly exportable one (although some companies have had to realise that company loyalty can hardly be instilled into foreign employees as it is in Japanese. Sometimes they found that loyalty could only be bought through increased pay and other incentives which might well not have been necessary in Japan).

In many Japanese-owned *plants the willingness of* management to spend time on the shop floor has won the respect of workers previously used to rather more elitist managerial attitudes. None the less, little attempt has yet been made to export fundamental Japanese company concepts such as unwritten lifetime employment guarantees and "decision by consensus."

A major problem, which will grow with an increased Japanese presence in the U.S., is that of providing sufficient job incentives for U.S. employees on the higher rungs of the corporate ladder. One obstacle here is the Japanese system of seniority based on age, which clearly does not export well to the U.S. But even more important, the language problem and the inability to communicate easily with the bosses back in the Japanese head office, often limit career opportunities for foreigners with Japanese companies.

Some Japanese firms say they would like to instal local nationals as presidents and top executives to run their overseas operations, but have difficulty finding the right men. The problem could become pressing in the U.S. in view of the tough legal measures which can be invoked against discrimination in employment.

Japanese vehicle manufacturers look sure to be prominent among the Japanese groups which in future will be testing the exportability of their management methods — and not just of their products.

Giants

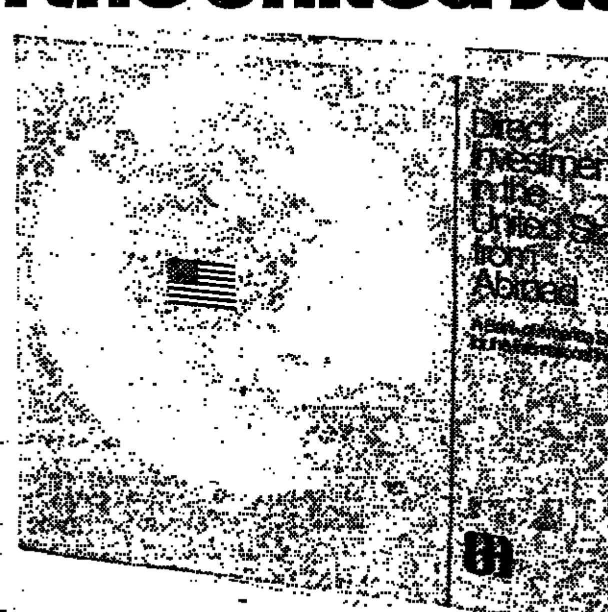
Late last year Honda Motor announced its decision to build a motor-cycle plant in Ohio, which is expected to be completed by early next year; the company is also considering expanding the plant later for car production. Behind it are the *two Japanese vehicle giants* — Toyota and Nissan — which are generally expected to take the plunge into U.S. manufacturing in the not-too-distant future.

According to preliminary estimates by the Finance Ministry, Japan's overall direct *investment overseas* in fiscal 1977 which ended on March 31 fell to between $2.5bn. and $3bn. from $3.46bn. in fiscal 1976, and from the record $3.49bn. in fiscal 1973 (after which there was a plunge because of the impact of the oil crisis).

Last year's fall, Ministry officials say, reflected reluctance by Japanese companies to invest in either resource-related or manufacturing projects at a time when many of them are suffering from excess capacity and world economic conditions are so uncertain.

An improvement in the economic environment in Japan and in the rest of the world looks sure to bring with it a strong upsurge in Japanese overseas investment—with the U.S. a major recipient country.

By a Correspondent



FINANCE IN THE U.S. X

On these two pages are profiles of a selection of leading companies from Europe and Japan which have established a significant business presence in the U.S.

Matsushita

Mr. Akira Harada, president of MECA.

THE PILGRIMAGE to "MECA" has been long and profitable for Japan's largest electrical appliance and electronics manufacturer. MECA—the Matsushita Electronic Corporation of America— is the new Jersey-based holding company of Matsushita's growing American sales and manufacturing base.

The Japanese company's presence in the U.S. dates back to 1953 when it opened a branch office in New York, but MECA was created to market the company's Panasonic brand products in 1959. It became the Japanese giant's first overseas subsidiary. By 1977 Matsushita had set up 30 manufacturing companies and 24 sales companies abroad.

In the process the group managed to boost sales in the American market to over $1bn. last year. About 40 per cent. of the total is ascribed to sales from U.S. production facilities and the other 60 per cent. to exports from Japanese factories which are still channelled through MECA to the U.S. market. MECA, moreover, has grown to be the largest Japanese employer in the U.S. with a payroll of about 5,000 compared with only 2,000 five years ago.

The cornerstone of MECA's growth has been its mushrooming sales of Panasonic, National, and Technics consumer goods. But the surge in the mid-1970s is a direct result of the Osaka-based company's overseas strategy mapped out in 1971-72 to bolster U.S. sales by producing colour television sets at an American factory. Convinced that the American market was already overcrowded with could not hope to compete on new TV technology with the likes of Zenith and RCA, Matsushita took on a new president for MECA, Mr. Akira Harada, and gave him the task of buying into a production facility.

Negotiations led to an agreement in 1974 whereby Matsushita bought the loss-making Quasar television division of Motorola lock, stock and barrel (at a still-undisclosed price). Quasar Electronics Company was created as a subsidiary of MECA itself in 1974, and Mr. Harada faced two tasks: first, to rationalise the old Quasar division, which was overstaffed and not using the latest automated technology (in particular *for welding TV circuitry*), and second, to bolster MECA's distribution net-work in the U.S. to sell Quasar products.

The arduous part of MECA's Quasar venture proved to be the streamlining of the old operation, which involved some union trouble, and although the parent company hoped that the Quasar division could be turning in a profit by fiscal 1976 the switch to the black took longer. According to officials in Osaka, the Quasar subsidiary registered a small but timely profit on its 1977 operations, and MECA anticipates a much greater return in 1978 as the Quasar brand (it is hoped) takes the place of some Panasonic direct exports from Japan which are subject to the orderly marketing agreement with the U.S. of last summer.

Matsushita television sets, made either in the U.S. or Japan, last year were the third largest in U.S. sales behind Zenith and RCA, and the company hopes to maintain that position despite export controls. But the company is also busy starting up sales of its VHS-type video tape recorders (VTRs) in the U.S. where it faces strong competition from Sony with its Betamax-type VTRs.

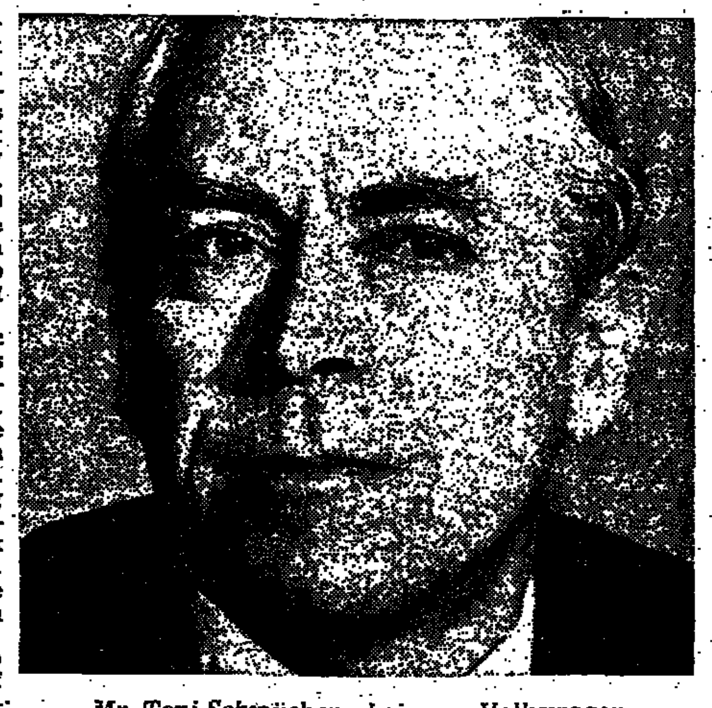
MECA's answer is a series of licensing and OEM (original equipment manufacturing) agreements with leading U.S. companies including RCA, Magnavox and Sylvania. Matsushita hopes to cover the *market quickly enough with its* own VTR system by recuiting U.S. allies just as Sony has done in its tie-up VTR agreement with Zenith. Similar jostling is going on in Europe, and Matsushita is counting on its supplies to U.S. companies (for sale under U.S. brands) to bolster demand for MECA's own Panasonic label in a growing world market.

It is a so-far untested marketing strategy, but one which, like the Quasar acquisition, will probably prove correct—and without having to wait three years to turn in a profit. MECA is pursuing a different strategy for sales of its facsimile communications equipment which will go on sale for the first time in 1978 exclusively under the Panafax label.

Matsushita workers at morning assembly.

Douglas Ramsey

Volkswagen



Mr. Toni Schmücher, chairman Volkswagen.

ANY DAY now the most symbolic piece of direct West German investment in the U.S. will begin production. Volkswagen will officially open its car manufacturing plant in East Huntingdon, Pennsylvania. By September 1978 the $250m. facility will be turning out 400 VW Golfs (known locally as the Rabbit) per day and production thereafter will be doubled to *take the plant up to its planned* rate of 200,000 cars a year.

The development is symbolic because at the turn of this decade VW was exporting half-a-million cars a year to the U.S. and its "Beetle" was the epitome of the cheap European product in the high-wage U.S. market. The era of floating exchange rates and the inexorable rise of the Deutschemark put paid to that situation. To-day VW has to manufacture in the U.S. if it is to remain price competitive.

VW is going to continue to make 40 per cent. (by value) of its Rabbits in West Germany—the major mechanical components like engine, transmission and steering. The body will be built almost entirely out of American-made parts and the company has bought a metal stamping plant in Carolina to help with the supply of sheet metal components.

Apart from the economics of manufacturing—where it is the productivity and longer working hours of the American worker, rather than his hourly wage, that tip the scales in favour of the U.S.—the management of VW in Wolfsburg see other attractions in local manufacture. It is conscious of the rising danger of protectionism. It will benefit from the flexibility that comes from being close to the market. VW executives explain that it took three months for the [...] cars from Germany into [...] to react to changes in *conditions there.*

Volkswagen sold [...] Rabbits in the U.S. in 19[...] hopes to sell at least th[...] number again this ye[...] additionally sold 100,00[...] models, production of w[...] the U.S. is not at [...] envisaged. The compan[...] to sell the entire outpu[...] U.S. plant within the St[...] the time production has [...] 200,000 units per year.

VW was vigorously w[...] State authorities. It b[...] plant with the help of a [...] $40m. loan bearing inte[...] the first 20 years of just [...] cent. This was only o[...] series of financial indu[...] with which Penn[...] swayed the VW decisio[...] direction.

The recent fall of th[...] has underlined the con[...] of VW's decision to buil[...] U.S. It remains to [...] whether even U.S.-bred [...] will be able to surv[...] strong Japanese and [...] competition that ha[...] developed in the A[...] small car business.

Nicholas Colc[...]

Hanson

Sir James Hanson, chairman, Hanson Trust.

OF ALL the U.K. companies which have invested in North America during recent years, Hanson Trust has arguably been the most aggressive and the most successful to date. Just over four years after its initial investment—the £13.7m. purchase of a fishing and animal feeds business—Hanson has an operation with annual sales running at over $1bn., and its overall operating profile has been completely transformed.

Thus its U.S. interests represented about two-thirds of the £67m. of shareholders' funds in the last balance sheet. North America accounted for £15m. of the group's £24.4m. profits total last year.

This proportion is set to rise further. Its most recent proposal, a merger between its Hydgrade Food subsidiary and the publicly listed Bluebird Inc. —which would have given it a quoted vehicle on the New York Stock Exchange—has fallen through after several months of negotiation. But Hanson is now well on the way to completing the outright purchase of another publicly quoted foods group for $29m.

In its early stages Hanson's U.S. expansion was a high risk affair. Its acquisitions were in cyclical industries, and were financed with dollar borrowings at a time when sterling was falling rapidly. *If one of them had* gone badly wrong, and had required refinancing from London at the official rate, the cost could have been devastating.

But there have been no such disasters. One reason for the group's success is that its initial *purchase proved to be an absolute winner.* It was financed by *instalments, and it generated* buckets of cash. Hanson is the first to admit that it could not have moved nearly as quickly as it has without this strong base.

Another important feature is *the fact that the group has* concentrated on buyin[...] at a discount, especiall[...] early stages of its U.S. [...] ment. This has obvious [...] tons about the nature [...] businesses it has been [...] pick up — Hanson has [...] ised in volatile indus[...] a low point in their [...] cycle — but it has me[...] its gearing ratios in [...] have been much low[...] would have been the [...] it bought so-called "[...] businesses.

Finally Hanson has [...] support of a strong [...] sheet in the U.K. One si[...] moment came in the [...] of 1975 when it raise[...] through a rights iss[...] proceeds could not [...] ferred to the U.S. be[...] exchange control reg[...] but the issue bought [...] debt equity ratio to [...] which persuaded U.S. [...] that the group was [...] further support.

The group's ambit[...] not yet stated. It is [...] ticularly anxious to [...] publicly quoted subsi[...] the other side of the [...] although its attempt [...] bird shows that it is [...] to contemplate such a [...] necessary. Meanwhile, [...] remains Hanson's "pr[...] vestment area."

Richard La[...]

St. Gobain

SAINT-GOBAIN-Pont-a-Mousson company, with 1977 sales of ranks as France's largest private Frs.31.8bn. Half these sales were made abroad, as were no less than 96 per cent. of net profits of just under Frs.600m. Its main vehicle in the U.S. is the Valley Forgebased Certain-Teed Corporation in which it holds a majority stake and which makes fibreglass products, building materials and piping. The U.S. accounted for 12 per cent. of consolidated sales and 17 per *cent. of net profits.*

Saint-Gobain's involvement in the U.S. is a long one, going back to the late 18th century when it was already an exporter of glass. Its first investments in the U.S. came after World War II when it bought a string of small glass manufacturers.

It was not until the early 1960s that Saint-Gobain decided to make a serious attempt to expand in the U.S. market. To consolidate its strength it merged its various glass concerns and set up a brand-new flat glass plant based on the improved mechanical polishing technology it had developed in France.

It was a case of instantaneous obsolescence. Pilkington's float process came on to the market, not only destroying the validity of the American investment but necessitating an enormous effort of reconversion in the French company's European plant. At the same time the violence of the reaction by American companies *to its encroachment* in the U.S. market surprised Saint-Gobain.

So much for Saint-Gobain's first adventures. Meanwhile [...]t-a-Mousson, at this time an independent cast-iron pipe manufacturer, had carried on a desultory trade with the U.S. dependent largely on monetary factors. Its main investment was immediately after World War II when it bought a foundry in Virginia.

By the mid-1960s both Saint-Gobain and Pont-a-Mousson recognised the need to tackle the U.S. market but neither had the resources to do so.

What made the situation worse was that Saint-Gobain was running scared in world markets before the big American multinational glass manufacturers. Although the French company had licensed its fibreglass technology to Owens Corning of the U.S. it was the American company which held the sales initiative. Conversely, Saint-Gobain itself was the licensee of Owens' fibreglass re*inforcing materials technology.* The French company decided that it must seek expanded outlets for fibreglass insulation products.

The scene changes now to the U.S., where the Certain-Teed Corporation, with solid growth in the roofing materials sector, was looking for new strings to its bow. It had made an international debut when it linked up with Turner and Newall, the British company making over its asbestos pipe interests in the U.S. to the U.S. company *in re*turn for an 11 to 12 per cent. stake in Certain-Teed's capital. Certain-Teed was already a very big distributor of fibreglass insulating materials, and it tried to develop its own interests in this field by buying up small U.S. manufacturers.

It was a disaster. The technology was inadequate and Owens, the main Certain-Teed supplier of these materials, took umbrage.

Thus in 1967 Saint-Gobain was *looking for an American* partner in the insulated fibre glass products area. Certain-Teed was looking for technology in the same field. They came together in a 50-50 joint venture in which the American company provided most of the physical *assets and Saint-Gobain the tech*nology and patents.

But then events in France took a hand as the other French glass giant, BSN, launched a violently contested takeover bid for Saint-Gobain. The latter's energies and resources were committed to this battle, and it was left to Certain-Teed to *supply the new capital needed* for the joint venture, so much so that the American stake moved up to 80 per cent.

As the BSN bid failed Saint-Gobain and Pont-a-Mousson came together in a merger and sat down to work out an American strategy. They decided that:—

(a) The already running-down flat glass business should be put to sleep as peacefully as possible;

(b) The foundry interests were *too small to serve as a* basis for expansion;

(c) Certain-Teed was the best prospect as the primary vehicle of the intended U.S. expansion.

Negotiations with Certain-Teed led to the American company absorbing the joint venture in return for which Saint-Gobain got an 11 to 12 per cent. direct stake in the Certain-Teed capital. At the same time the giant INA insurance concern, which had bought from Saint-Gobain shares in the French Suez group at the time of the bid battle with BSN, also came into the Certain-Teed capital at Saint-Gobain's suggestion (to act as gendarme).

In 1973 the French company lifted its stake to 32 per cent. via a tender offer on the New *York Stock Exchange.* The following year Certain-Teed nearly went bankrupt [...] had to write off $[...] property investment, alt[...] managed ot report onl[...] final net loss. This le[...] dismissal of the man[...] and the appointment of [...] Meads, of the INA Cor[...] *as the new chairman* [...] job of raising as much [...] he could lay hands on [...] the company afloat.

Saint-Gobain agreed [...] *capital increase which* r[...] stake to 39 per cent. [...] took some convertible [...] ence stock; in 1976 it [...] the Turner and Newall [...] give it a final majority [...]

Substantial investm[...] planned. In the fibre [...] inforcing field a $100m [...] ment over five years i[...] *is under way which* w[...] *the American subsidiar*[...] second or third positio[...] sector, while a fibr[...] insulating plant is bei[...] for around $20m. in Ca[...] Later possibilities n[...] chemicals and fine c[...] investments while the [...] effort is being bolstere[...]

In 1967 Certain-Te[...] sales of $167m. and ne[...] of $3m. In 1977 sal[...] $818m. and net earning[...] Last year's $118m. of o[...] *income* was divided [...] fibre glass ($54m.), [...] materials ($45.5m.) an[...] ($18.5m.).

"Policy is to transfe[...] U.S. whatever techno[...] transferable," says [...] Gobain.

David

FINANCE IN THE U.S. XI

Beecham

Mr. G. J. (Bob) Wilkins, chairman and chief executive Beecham Group

BEECHAM, the British pharmaceutical and consumer products group, is no newcomer to the U.S. market both in terms of investment and sales. Starting with Brylcreem before World War II Beecham has gradually built up its U.S. presence to the point where North and South American sales now account for about a fifth of its world turnover of £820m.

The company's activities divide quite cleanly into pharmaceutical and consumer sales. On the consumer front Beecham relaunched Brylcreem in the U.S. after the war, and during the fifties built this up into a brand leader. In the 1960s it began to make and market Macleans toothpaste in the U.S.

In April 1971 the company acquired for $55m. S. E. Massengill, a company whose main products lay in the pharmaceutical area but which contributed a well established line of feminine hygiene products to Beecham's U.S. consumer sales. A year ago Beecham made its largest ever investment in the U.S., buying the Calgon consumer products business for $81m. from its pharmaceutical rival Merck. The most attractive product here was Cling Free, an anti-static fabric softener, backed by a Calgon range of detergents and water softeners, and an established cough mixture and throat tablet.

The interesting thing about this growth in the U.S. consumer business is Beecham's evident ability to thrive in what is normally considered to be the land that sets the pace in consumer marketing techniques.

Meanwhile Beecham has built up its U.S. pharmaceutical business as well. The starting point was the company's breakthrough with Ampicillin, a semi-synthetic penicillin, in the 1950s. Early in the sixties the company began to make this product in a rented New Jersey factory and by 1967 had built its own pharmaceutical plant, and had replaced distribution agreements with its own marketing organisation.

The main point of the acquisition of Massengill was to use its pharmaceutical marketing presence rather than its products. To-day the company's most important pharmaceutical product is probably Amoxycillin, a broad spectrum antibiotic.

Beecham also has a growing veterinary business in the U.S. It expanded this recently with the purchase from Rohm and Haas, a U.S. chemicals company, of its veterinary and animal health interest for £9.5m.

Nicholas Colchester

Unilever

Sir David Orr, chairman, Unilever

TWO YEARS of intense effort to complete an acquisition which only stands to increase earnings by about 1 per cent. may sound like a quixotic use of management time. But when the deal is one of the biggest ever transnational takeovers—as is Unilever's proposed $485m. offer for National Starch and Chemical Corporation of New Jersey—then there are bound to be a few complications.

When Unilever decided that it had to increase the U.S. proportion of its international portfolio of business, its first problem was to identify a purchase that would be big enough to make a difference, and yet which would not lead to trouble with the antitrust authorities. Greenfield investment on a really significant scale was thought to be too risky. Its existing U.S. interests in detergents, toilet preparations and tea were already big enough to bar any purchases in these areas, and an attempt to buy a foods or consumer products business might have been opposed by the U.S. authorities under the doctrine of potential entry.

At the same time, although the group was prepared to widen its industrial base, it was not willing to move into completely unknown territory.

National Starch was one of a dozen companies on Unilever's list (it was not the biggest) and its qualities included strong management, a good profits record, availability, and lines of business which Unilever knows something about both as a consumer and as a chemical manufacturer outside the U.S. Final antitrust clearance has yet to be obtained, but is not thought to be a serious problem.

Preliminary talks started last summer, and the proposed terms were announced in mid-December. Since then, the main hurdle has been the U.S. Internal Revenue Service. The deal has been constructed in such a way as to enable major shareholders in National Starch to defer their capital gains tax liabilities—which could run as high as $40m.—provided the tax authorities grant their approval.

Unilever had originally been hoping to receive clearance by mid-March but the target date has now moved back to the end of this month. The delay is put down to bureaucratic snarl-ups rather than to any unforeseen difficulties.

Meanwhile, there has been plenty to do. The original letter of intent has been superceded by a full scale merger agreement, several hundred pages long, and a further document has been agreed laying down how the relationship of the two groups should be organised prior to completion. Preparatory work has gone ahead on the various proxy filings required by the Securities and Exchange Commission.

Altogether not far short of ten separate teams of lawyers have nibbled at the deal at one stage or another. Total expenses seem likely to exceed $5m.

If all goes according to plan, National Starch's shareholders will be asked to approve the deal sometime in June. If anything, the delay may well have made them more compliant than otherwise. When it was announced, the price offered by Unilever was about 70 per cent. above earlier market levels — and since then the Dow Jones Index has dropped by nearly a tenth.

Richard Lambert

Bayer

THE CHEMICALS industry has for long been among the leading West German investors overseas. The rise in the value of the Deutschemark and the decline of the dollar, coupled with steeply increasing labour costs and environmental protection overheads, has only served to increase the impetus in foreign investment.

Of the three West German chemical giants—Hoechst, Bayer and BASF—Bayer has devoted more of its resources to overseas investment. It is heavily dependent on its foreign turnover. Close on 60 per cent. of the parent's sales are generated abroad, while nearly 70 per cent. of total group sales come from outside the Federal Republic.

Last year the group's investment world-wide amounted to some DM1.7bn. (£454.55m.) of which a hefty chunk went overseas. The United States received a major share of this with the strong point being the group's $251.6m. acquisition of a 97 per cent. interest in Miles Laboratories, manufacturers, among other things, of Alka Seltzer.

Bayer, whose turnover in the first nine months of last year rose 2.1 per cent. to DM16.2bn. (£4.33bn.), now has three major US subsidiaries which in 1976—the latest figures available—reported sales of a total of $1.16bn. The other two are Mobay Chemicals Corporation of Pittsburgh and Cutter Laboratories of Berkeley, each 100 per cent. owned by the group through its U.S. holding company, Rhinechem Corporation.

While the decline in the value of the dollar has done little for Bayer's Deutschemark profits, it has enabled the group—like many other West German industrial concerns—to invest in the U.S. at what in D-mark terms at least, are very attractive prices. Miles Laboratories cost Bayer $47 per share, well up on the original $40 offer. Although this price raised eyebrows in some quarters, it acquired what analysts have rated as a good medium term investment provided management can achieve its goal of raising return on investment.

Bayer's record in this field has been good. When it acquired Cutter Laboratories in 1974, for instance, the U.S. group was a loss-maker. By 1976, however, it turned in pre-tax profits of $6m. on sales of $163m.

Miles is strong in pharmaceuticals, diagnostics, food preparations and special biochemical products and fits well in to the Bayer nest. With manufacturing facilities in 21 countries, it offers considerable scope for rationalisation—an area in which the West German chemicals industry, perforce of necessity, is expert.

Bayer's interest in the U.S. market—after all, the world's largest—is likely to continue as the decline of the dollar is making it increasingly difficult to compete from its West German production facilities. In Deutschemark terms, personnel costs have increased by 69 per cent. in the five years since 1972. This is an average of 11.1 per cent. a year and a very steep rise indeed in a country where the inflation rate has been well below the European level. Furthermore the effects of this have been gravely exacerbated by the rise in the value of the Deutschemark and the decline of the dollar.

During the past 12 months the parity of the dollar against the D-mark has fallen from nearly DM2.40 to about DM2 and no real end to the decline is yet in sight. This has left West Germany's chemicals majors with precious little alternative but to channel an increasing proportion of their capital investment overseas.

Guy Hawtin

Siemens

Dr. Bernard Plettner, chairman, Siemens.

SIEMENS, one of the largest electrical and electronics groups in the world has chosen a cautious step-by-step approach to investment in the U.S. But there can be no doubt that in the past 18 months the pace of its infiltration into the U.S. market has quickened.

In this period it has purchased 80 per cent. of Litronix, a California manufacturer of semiconductors and opto-electronic devices and 20 per cent. of Advanced Micro Devices, a growing maker of integrated circuits. It has formed a joint venture, called Siecor with Corning Glass Works to make optical fibre communications cable, and a second joint venture with Allis-Chalmers called Siemens-Allis which will sell electrical switchgear and other power transmission equipment.

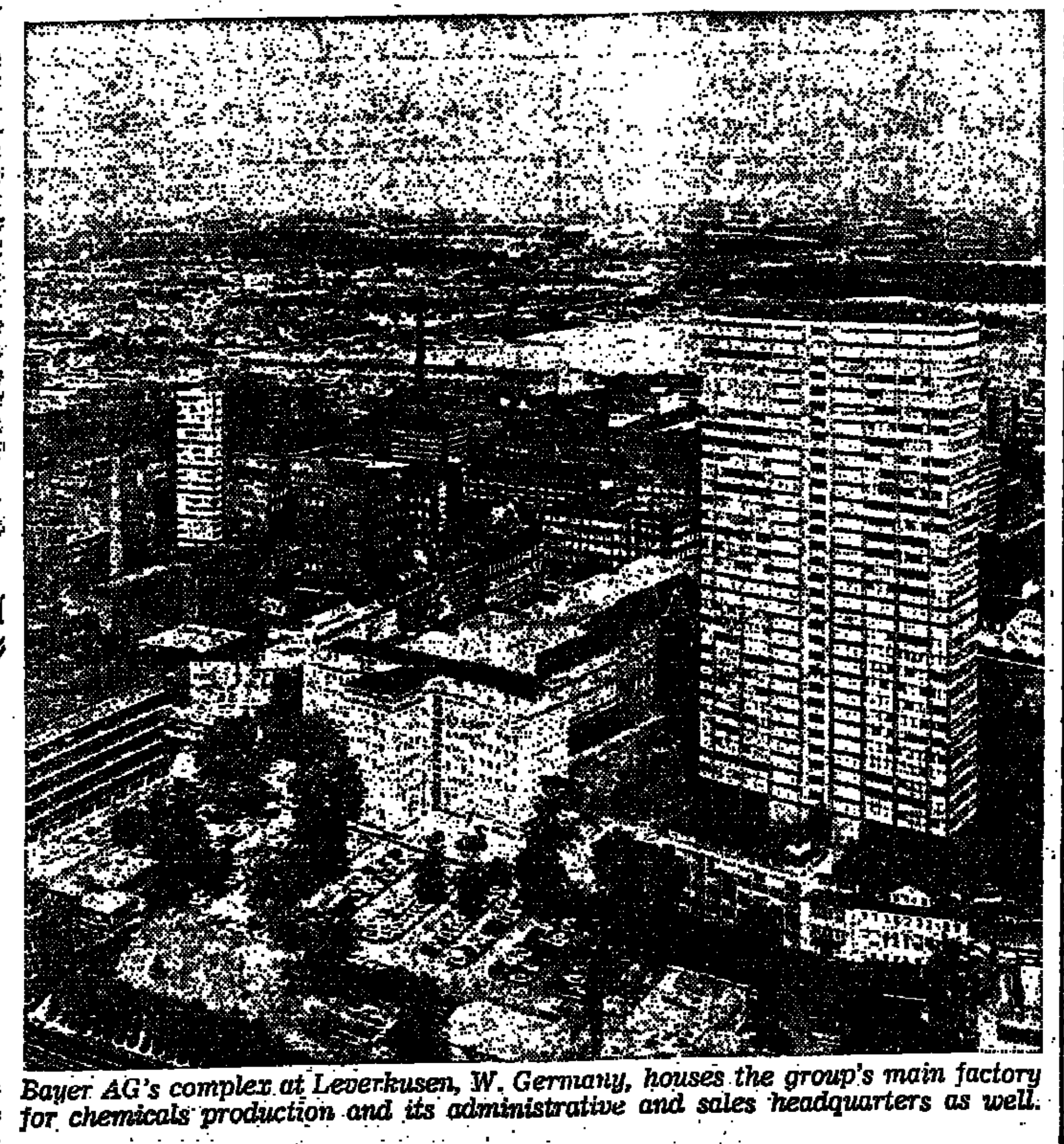
If this suggests rather a fragmented approach to the U.S. market that is exactly the way the Siemens top management would have it. Siemens has an extremely broad product range and each of its product divisions has a high degree of autonomy. Siemens' tendency towards U.S. investment is the result of the independent business strategies of several Siemens divisions. The result is that instead of making a few headline-hitting acquisitions or investments, Siemens is moving less conspicuously into the U.S. than other European companies, and often by way of co-operation rather than by going it alone.

After a slow start in the U.S. in the 1950s, when the company concentrated on medical equipment sales and then a gradually growing list of other Siemens products, there was something of a turning point in 1970. In that year Siemens established its first corporate headquarters in the U.S. Its KWU subsidiary (at that time 50 per cent. owned) also took a 50 per cent. interest in Allis-Chalmers Power Systems—a joint venture to make power generation equipment.

This last venture is attracting some attention in the U.S. at the moment because it seems that KWU, the Siemens subsidiary and Germany's main maker of nuclear power stations, may be about to build a plant in Florida for the manufacture of turbo-generators. This would indeed be a major step for Siemens, but sources at the headquarters of the company in Munich insist that a final decision on this plant is dependent on some upturn in the U.S. market for generating equipment.

But while Siemens weighs its chances in the U.S. in this traditional area of German engineering skill, it is forging ahead in its campaign to buy into areas of technology where America excels. The acquisition last November of its stake in Advanced Micro Devices was the culmination of several years of looking for the right way into the vital business of integrated circuits. The two companies are now to form a new company, 60 per cent. owned by Siemens, and called Advanced Micro Computers. It will produce a full line of micro-computer systems.

Nicholas Colchester



Bayer AG's complex at Leverkusen, W. Germany, houses the group's main factory for chemicals production and its administrative and sales headquarters as well.

هكذا من الأصل

Another bite at the HS-146 feeder-liner

By MICHAEL DONNE, Aerospace Correspondent

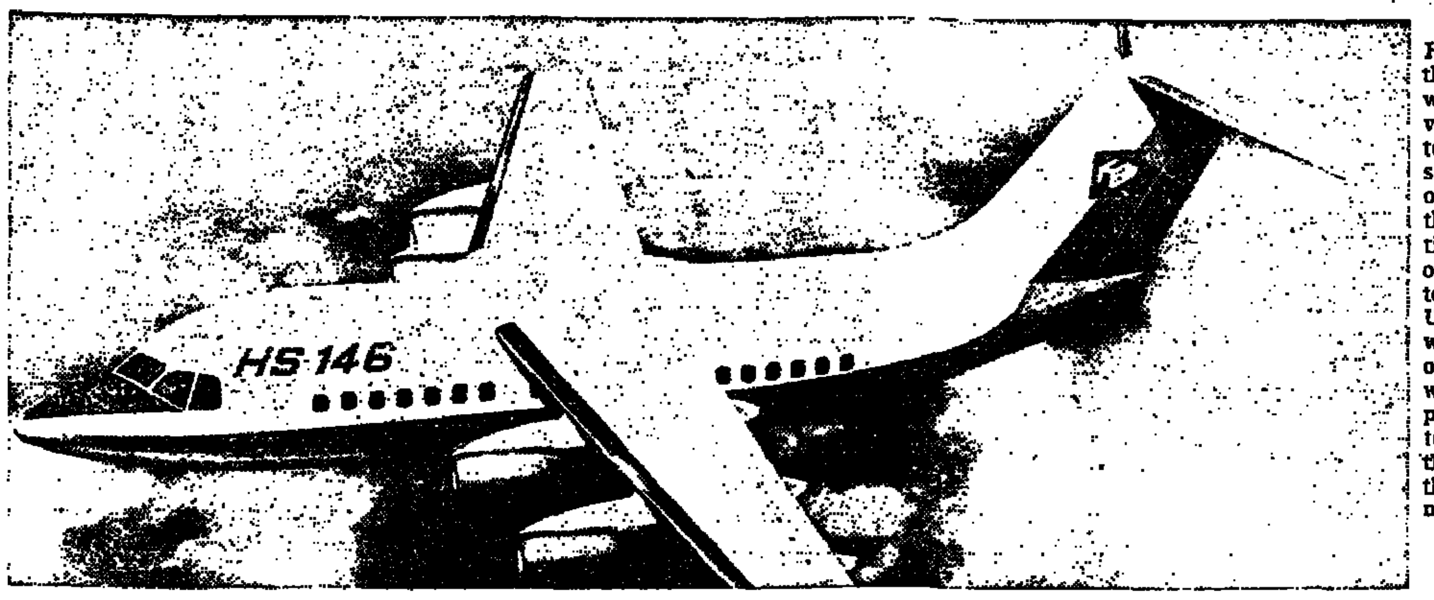
[BR]ITISH AEROSPACE'S re[qu]est to restart the HS-146 [sh]ort-haul feeder-liner aircraft [pro]gramme is a move intended [to] revitalise the flagging for[tu]nes of at least part of the [civ]il aircraft industry, in this [cou]ntry, and also, it is hoped, to [se]t the nationalised group on its [wa]y to a brighter future in [wo]rld commercial aircraft mar[ke]ts. The Government is ex[pe]cted to reply to the request [so]on.

[T]he project was first begun [in] 1973, on a joint Government [an]d Hawker Siddeley Aviation [in]vestment of £80m. at fixed [Jan]uary, 1972, prices. Only a [ye]ar later, however, Hawker [Sid]deley Aviation pulled out, [ha]ving changed its mind on the [pr]oject's costs and prospects in [th]e light of the world-wide eco[no]mic recession that followed [th]e oil crisis of late 1973. As [a] result, the Government with[dr]ew its own investment. Sub[se]quently, under trades union [pr]essure, the project has been [ke]pt barely "ticking over," with [a] limited injection of Govern[me]nt money for design work, [ag]ainst the day when it might [be] possible to restore the air[cr]aft to full development and [pr]oduction.

British Aerospace, formed [fr]om the nationalisation of Haw[ke]r Siddeley Aviation and other [ma]jor aircraft companies [(B]ritish Aircraft Corporation, [Ha]wker Siddeley Dynamics and [Sc]ottish Aviation), now believes [th]at the world market situation [ha]s changed sufficiently to jus[tif]y reviving the venture, and [it] wants Government approval [(a]nd probably also eventually [so]me Government cash) for it.

When first mooted in 1973, [th]e HS-146 was described as a "good neighbour" jet, aimed [at] the market for a quiet, low[-de]nsity (70-100 seats) type of [ai]rcraft capable of using grass [st]rips, with low noise levels, bringing bus-stop-type air service to many communities throughout the world which either had previously no air services at all or had been obliged to make do with piston-engined or turbo-prop airliners. The HS-146 is a four-engined, high-wing aircraft, and is intended to fly at 500 mph over distances of up to 1,200 miles, although most of its stages are likely to be in the 100-200 miles, or so, category.

The request for approval to restart the venture is significant for several reasons. First, it is the initial move in what will probably be a four-stage plan by British Aerospace to revitalise Britain's flagging civil aircraft industry (the other measures, to be taken later, will include decisions on a new 120-seat version of the BAC One-Eleven; on a new 160-seater, perhaps with Western Europe or the U.S.; and finally on a 200-seater, such as the B-10 version of the European Airbus).



British Aerospace believes its relative cheapness, 500-mph performance and 1,200-mile range would make the HS-146 an ideal Third World "bus-stop" jet.

20,000 jobs

Secondly, although the HS-146 plan is not intended merely to bolster employment in the former Hawker Siddeley factory at Hatfield and elsewhere, where work on existing civil ventures is running down, a go-ahead will undoubtedly revolutionise employment prospects. At peak manufacturing point, the HS-146 programme is likely to provide jobs for up to 20,000 aerospace industry workers, depending entirely on how well the aircraft sells in world markets. Without it, undoubtedly some of those workers would find themselves redundant later this year.

Third, the decision to seek a go-ahead reflects British Aerospace's confidence in the long-term prospects for a jet of this type. So far, the group has published no figures to support its application to the Government, but it is believed to feel that there could be a world market for around 1,200 of these feeder-liner types over the next ten years or so, of which about half might be new or second-hand Boeing 737s or Douglas DC-9s, and the rest new aircraft of other kinds, including Fokker F-28s, Canadian DHC-7s, as well as HS-146s. British Aerospace feels that if it can only win orders for 300 aircraft, it will not be doing badly. It is also hoping for a military market for the aircraft.

Much, of course, will depend upon how heavy the investment in the programme will be. The investment in the original project was £80m., but now, four years later, it is not likely to be less than £200m., and may well be more, depending upon how inflation runs over the next four or five years before the aircraft is likely to enter service.

The Government, having been left holding the baby once before, after Hawker decided to withdraw unilaterally, will want to be reasonably assured that any funds invested in the revived programme, whether British Aerospace's own money or Government launching aid, or both, is not likely to be wasted on a programme with limited market potential.

The Government will also have to take into consideration the fact that the HS-146 is only one—and probably the smallest—of several major investment programmes sought in the aerospace industry for the next five years, that collectively will cost about £1bn. and perhaps even more. These include the other aircraft programmes already mentioned, and in addition several major new engine programmes, such as the Rolls-Royce 535 version of the RB-211, aimed at the new Boeing "family" of jets; the RB-432, an engine in the "middle thrust" range that could be used in future versions of the One-Eleven; and the RB-401, a new small engine for business jets (and perhaps also light combat aircraft). While British Aerospace will find a substantial share of this cash from its own resources, it is clear the Government will also be asked to subcribe some of it, and it cannot afford to waste a penny.

Thus, with the memory of earlier ventures started with high hopes but which came to little or nothing, the Government will need to be convinced of the validity of all British Aerospace's predictions about costs and markets, before committing itself. The manufacturer takes the view that, in spite of the fact that one of its original rivals, the VFW-614, has recently been cancelled for lack of orders, and that another, the Fokker F-28 Fellowship, is selling only slowly, there is still a market for a new small aircraft of this type, that can be built quickly with mainly off-the-shelf components (including the four U.S. Avco Lycoming ALF-502H jets), and requiring little in the way of advanced technology, so that it will be simple, rugged, reliable and, above all, cheap.

So far, British Aerospace has not published any reasons for this conviction, but the Government undoubtedly will want to be given chapter and verse for the group's confidence that it can succeed where one of its competitors has failed, and another has made only comparatively slow progress. Unless and until British Aerospace provides this information, there is bound to be a suspicion that the HS-146 is being urged on the Government as an "employment booster" rather than a viable project in its own right.

One factor in favour of the HS-146 is that it is a programme the U.K. can get on with quickly, without having to become involved in long and difficult international negotiations on possible collaboration. While originally it was envisaged that there might be some collaboration with European companies on the venture, the aim now is to get on with it entirely in the U.K., except for the engines; or where components are bought off-the-shelf overseas. Thus, it will be open to foreign companies to tender for contracts to supply equipment items, and they could get the business if they undercut British component suppliers.

Cheap

Keeping the cost down is vital if British Aerospace is to win the orders it needs from countries which cannot afford expensive aeroplanes, but still want something cheap and quickly available. British Aerospace sees nothing wrong in developing an aircraft of this kind without direct European collaboration, which is being reserved for the bigger ventures.

One criticism that may be levelled against the venture—as it was originally—is that it uses an American engine. The reason is that neither in 1972, nor now, was or is there a British engine available in the same power-bracket (about 6,500 lbs of thrust). At this stage, the Rolls-Royce-Snecma M-45 series which powered the VFW-614 is too large (about 8,000 lbs), and its future is also uncertain. The RB-401 is too small (about 5,500 lbs thrust) and is not yet developed. The Avco Lycoming ALF-502H is available, and is derived from the military T-55 engine which has already logged well over 3m. hours of flying.

Overall, British Aerospace appears confident that the HS-146 will ensure that a substantial part of the U.K. aircraft industry will retain a high level of capability in aircraft design, development and manufacture; prevent any rundown of labour in parts of the industry where existing workloads are thinning rapidly; and in effect under-pin the industry, supplementing the additional bigger ventures that may be initiated in the near future.

Because a great deal of work on the venture has already been done in the past four-year "tick-over" period, it is likely that once Government approval for a go-ahead is given, progress could be rapid, with final design moving into top gear in the latter part of this year, and aircraft coming off the line in about two to three years time, around 1980-81, and entering airline service in about 1982. If the world demand expands the way British Aerospace hopes and believes it will, the programme probably could be accelerated.

But British Aerospace believes that one of the major points in the HS-146's favour is that it will virtually be in a class of its own—the only really new, cheap feeder-liner and bus-stop jet designed especially for Third World markets—and that if allowed to go ahead, it could establish a commanding lead in world markets that could perhaps make it unbeatable. It is a risk, but in British Aerospace's view a calculated one. Lord Beswick, British Aerospace's chairman, has always made it plain publicly that he wants every new project undertaken by the group to be commercial, earning profits. With the HS-146, he feels the group has its first real chance since nationalisation of proving the point.

Letters to the Editor

The future for coal

[Fr]om the Chairman, [Na]tional Coal Board.

Sir,—Ray Dafter's article on [No]rth Sea Oil (March 31) empha[sis]es the need for a long-term [ap]proach to energy policy.

He estimates that "10 years [fr]om now output from these [fiel]ds (that is, the 20 or so oil[fie]lds now on stream or under [de]velopment) could have de[cli]ned to about half their peak [rat]e," and he concludes that "the [be]st prospects are already being [ex]ploited. What remains to be [fou]nd will be very much a second [be]st."

Whatever may be the success [ac]hieved in expanding nuclear [po]wer, there will be a continuing [ne]ed for fossil fuel. Coal is the [on]ly fossil fuel we possess with [am]ple reserves (at least 300 [ye]ars at present rates of produc[tio]n). The energy situation in [wh]ich we are likely to find our[se]lves towards the end of this [ce]ntury fully justifies present [pl]ans for the progressive expan[sio]n of coal production and for [th]e increased efforts being put [in]to coal research.

In due course coal will un[do]ubtedly have a new role to [pl]ay as a replacement fuel for [oil] and gas through conversion [te]chniques now being actively [de]veloped by the National Coal [Bo]ard, British Gas Corporation [an]d the oil companies. In the [me]antime our limited resources [of] oil should be carefully nursed [an]d restricted to premium uses [wi]th coal taking on more of the [no]n-premium load.

[De]rek Ezra (Sir).
[Ho]bart House,
[Gr]osvenor Place, S.W.1.

Research into management

[Fr]om the director, The Centre [fo]r Interfirm Comparison.

Sir, — Readers of your Men [an]d Matters column of March 30 [mi]ght be excused for thinking [th]at our recently completed re[se]arch project into reasons for [di]fferences in relative company [pe]rformance was narrow in scope [an]d that the conclusions are [su]perficial and obvious. I wish [to] correct this impression.

The project and its conclusions [di]d not relate only to the few [ra]tios mentioned in your column. [It] represented an attempt to [as]certain whether some com[pa]nies were consistently more [su]ccessful than others; and if so, [wh]y. The "why" involved an [ex]amination of some 100 per[fo]rmance data including detailed [co]st ratios; productivity [me]asures; ratios indicating [de]gree of utilisation of each kind [of] fixed and current assets; plant [an]d investment per head; [gr]owth of sales, employment, [fix]ed assets and profits; and size [of] firm. It also involved con[si]dering information on over 100 [m]anagement policies and prac[tic]es which together covered [ev]ery major management func[tio]n, as well as background infor[ma]tion about such matters as [th]e ownership and location of [th]e firm. The data were avail[ab]le to us in depth, and on a [st]rictly comparable basis of [de]finition, over a period ranging [up] to seven years for 240 com[pa]nies in several industries and [tr]ades.

At a time when there is much [co]ncern about the level of U.K. [in]dustrial performance, informa[tio]n about the factors which [ca]use firms to be more or less [ef]fective is, we think, of interest [to] management and all others [co]ncerned with improving indus[tr]ial performance. This is par[tic]ularly so if the information [is] based not on subjective im[pr]essions, a few case studies, or someone's pet theory, but on a painstaking investigation of the actual facts such as was carried out during our recent research.

Results so far have produced a whole range of conclusions relating not only to most aspects of operating performance and their relationship to overall efficiency, but also to the kinds of management policies and practices which are or are not linked to success.

L. Taylor Harrington.
25, Bloomsbury Square, W.C.1.

Controls on imports

From Mr. D. Layton.

Sir,—Anthony Harris (Economic Viewpoint, March 30) was more sympathetic than I can be to the Cambridge Economic Policy Group's advocacy (yet again) of import controls as the only "practical" means of achieving a rate of growth sufficient to reduce unemployment to 1m. by 1985 and 500,000 by 1990.

In my view, restrictions severe enough to keep out one quarter of our total imports of manufactured goods by the late 1980s would be disastrous; imposed during a period when the Group expects world trade to be growing only slowly, they might well set in motion a wave of retaliatory protectionism which would drastically reduce the volume of world trade on which we (with a relatively small home market) crucially depend. Furthermore, so far from encouraging extra efficiency, protection on such a large scale would, I believe, reduce the incentive to improve it; and, without greatly increased efficiency and productivity, there would be a diversion to the home market of goods which would otherwise have been exported. Despite this diversion, British industry would almost certainly be unable to provide replacements for all the lost imports, so that demand would exceed supply and force prices up (unless, of course, it were deliberately reduced by fiscal or monetary measures, which would defeat the object of the whole exercise).

There is, I believe, only one solution to our problem of slow growth and high unemployment; and that is improved productivity. Your Midlands correspondent (March 30) quoted an internal report which suggests that British Leyland's output per man is half that on the Continent.

A recent Sunday Times survey, which compared British Ford's performance at Dagenham with that of Ford's Continental factories using identical machinery, reached a similarly unfavourable conclusion. Until management and unions can co-operate to correct fundamental weaknesses of this kind, no other measures can be more than temporary palliatives.

D. G. Layton.
33, Cranborne Avenue.
Eastbourne, East Sussex.

Busted bonds

From Commander R. D. Ross, RN

Sir,—I read with interest James Bartholomew's article on the collection of Provincial Notes (April 1). In his article he referred also to the collection of "worthless bonds" and repeated an opinion that there were too many of these around to make their collection worthwhile.

The collection of "bonds" to which he refers is generally understood to embrace both bonds on which the issuing country has defaulted as well as share certificates of extinct companies. The view that the variety of such share certificates is exceptionally broad is, with only a few exceptions in specialised fields, undoubtedly correct but the same does not apply to "busted bonds."

The size of bond issues is nearly always easily ascertainable and many of these are still dealt with on the Stock Exchange—prices are quoted in the Official List. A further attraction of such bonds is that the possibility of a settlement may exist.

Typical examples are the Chinese loans whose total outstanding capital is limited to £61m. A large proportion of these bond certificates must have been lost or destroyed in the 70 years since the first issue was made and the possibility of a settlement cannot be ruled out in the case of a country who is an applicant to join the World Bank.

The description of bonds as "worthless" is therefore misleading and this collector—until such time as a better title can be thought of—would prefer to continue the use of "busted."

Donald Ross.
Heatherdene,
Blackhall Lane,
Sevenoaks, Kent.

Decisions on education

From the Greater London Council Member for Finchley

Sir,—Just to settle the matter, could Mrs. Alice Waters (April 3) provide us with a list of significant decisions in which Kent Education Committee successfully defied Government policy during, say, the past year? It is irrelevant to talk about "freedom" unless you are free to disagree with Government and get away with it.

Roland Freeman
Members' Lobby,
County Hall, S.E.1.

Index-linked pensions

From Mr. B. Davies.

Sir,—Mr. Furse's letter of March 22, concerning the cost of inflation proof civil service pensions, implies that he is unable to understand the arguments involved. He refers to the evidence to the Select Committee but has clearly not comprehended what it actually says.

There is his misunderstanding about the comparison made. The evidence is quite clear that the comparison which needs to be made by the Government Actuary is not, as suggested by Mr. Furse by his reference to National Association of Pension Funds surveys, with the post-retirement increases currently provided by the generality of pension schemes. Rather it is with the pension schemes of the restricted group of employments used as analogues by the Pay Research Unit and that study showed that these schemes are expected to provide more generous inflation proofing than the average scheme.

He suggests that the Government Actuary claims that 1¾ per cent. is still an appropriate figure for the adjustment. This is specifically not so. What the Government Actuary does claim in his evidence, however, is that it was the right figure in 1973 and in the absence of the Pay Research Unit data it is not possible to make a proper recalculation of the current adjustment required.

Whether or not the Government Actuary made the right assumptions in 1973 is of course arguable. What Mr. Furse ignores from the Select Committee evidence, however, is that the Independent Actuary (who we can assume is no more or less professionally competent than the Government Actuary) stated ". . . we would agree that the assumptions for the analogue scheme were in line with those being adopted at that time for funding such schemes. . . ." In other words the suggestion always implicit in Mr. Furse's letters, that in some way the Government Actuary did not give an independent professional judgment on the matter, is quite unfounded.

B. H. Davies.
49, Cleaver Square, S.E.11.

Urgent airmail overseas

From Mr. W. Jaspert.

Sir,—At London Heathrow airport post office facilities are provided in terminals 1, 2 and 3.

At most major European airports, similar facilities are provided. If one takes an urgent letter in Europe to the airport post office, then it will be sorted at the airport and speedily despatched.

At Heathrow, though, they do things differently. The letters are taken back to central London for sorting and then brought back to the airport. This is in the interest of efficiency! So a letter posted from the airport is actually delayed.

It seems that this interesting service was devised by the Post Office about 2½ years ago. Before then letters were sorted at the airport and sent off quickly to destinations overseas. Perhaps more influential organisations could prevail upon the Post Office to take a fresh look at this irrational set up.

W. P. Jaspert.
93a, Belsize Lane, N.W.3.

Aid schemes for industry

From Mr. B. Manning

Sir,—With reference to your article on aid schemes for industry (March 22) it seems to me that the needs of the smaller firms have been rather overlooked by the Government. True, grants are available to them, but many small firms find the sheer volume of paperwork necessary to support an application a disincentive to apply.

My company has done some research into reactions to the offer of development grants. On the whole, the larger companies knew what was available and had taken full advantage of the offer. It was the small to medium sized businesses who found that they just did not have the capacity to cope with the masses of statistics involved in applying. Yet these are the very areas where a Government grant could open the door to expansion and development. It is a pity that more attention is not paid to this area which could benefit most from Government help.

Bryan R. Manning
(Senior consultant).
Handley-Walker Company,
Iveagh House, Ormond Yard,
St. James's, S.W.1.

Annual site rental

From Mr. A Gray.

Sir, — Mr. Brady (April 1) thinks it would be difficult to separate the annual site value from the rental charged for buildings and other improvements. Therefore I am interested to know if he would pay the same total sum for identical offices, one situated in the centre of the City of London and the other in Wapping — and if not, why and how would he differentiate between the two?

At the same time I am eager to understand the phrase "locational chaos" and obtain some further exposition on how the collection of the annual site rental, in place of taxes on production, would actually hamper production.

And also, finally, perhaps he would be kind enough to explain how the collection of this communally created value would have dire consequences for our standard of living.

Adrian Gray.
31, Russell Road,
Wimbledon, S.W.19.

Honouring debts

From Mr. R. Mosseri.

Sir,—The reaction of U.K. nationals owning blocked accounts in Egypt to the announcement by Mr. Judd, reported on March 22, of "new arrangements" for payment of the sterling equivalent on £E450,000 assigned to the British Embassy under the 1973 scheme can only be one of dismay and indignation.

The total amount covered by the scheme was £E1½m. to be utilised in equal yearly instalments of £E300,000 over a five-year period. Clearly by now £E1.35m., that is, nine-tenths of the total, should have been used up, and participants who have paid into the Embassy's account in Egypt the amounts assignable, and have been awaiting payment of the sterling equivalent in the U.K. for some considerable time—two years and upwards in many cases—might be forgiven for suspecting that withholding payment of one-third of the total was in anticipation of the "new arrangements," the more so as until October, 1977, sterling was being received in monthly instalments, albeit in small amounts. Since then, however, there appears to have been a complete stop.

Under the financial agreement of 1959, Egypt received and immediately transferred £41m. out of U.K. sterling balances. Returnable private British assets in Egypt then stood at £E57m., which should have been returned to their owners within three months. Immediate approval was to be given to applications for transfer into sterling of up to £E5,000, and "favourable consideration" was also to be given for further transfers in excess of that sum.

In the event, it took years for British nationals to recover in Egypt what was left of their assets and to receive the first £E5,000 sterling equivalent: that, even now, is still awaited by some. The blocked accounts—since 1956—bear no interest, and can only be used, within strict limits, in Egypt, after obtaining the specific authorisation of the Egyptian Exchange Control.

The 1973 agreement only covered £E1.5m. but if it had operated effectively this amount would have been exhausted by now. Is it fair, therefore, that those who participated should now be expected to bear a further loss of well over 40 per cent. on transfers which should have been effected or completed by now, for the sole benefit of the Exchequer?

The saving to the Exchequer resulting from the "new arrangements" in respect of amounts already assigned will be no more than £200,000 or £250,000 at most. In relation to the total annual expenditure of the nation, this amount can only be described as microscopic. It is especially cruel in the case of retired and needy small savers.

R. V. Mosseri.
203, Mountjoy House,
Barbican, E.C.2.

To-day's Events

GENERAL

Monthly meeting of National Economic Development Council will include discussion on allocation of Britain's oil revenues.

Rail pay talks resume.

World Industrial Advertising Congress opens, Royal Lancaster Hotel, W.2 (ends April 7).

Mrs. Shirley Williams, Education Secretary, addresses meeting at Carshalton Public Hall, 8 p.m.

Mr. Patrick Duffy, Under Secretary of State for Defence for the Navy, visiting the U.S.

Lord Mayor attends luncheon with chairman of British Petroleum, Moor Lane, E.C.2, 1 p.m.

PARLIAMENTARY BUSINESS

House of Commons: Wales Bill committee stage.

House of Lords: Debate on consumer representation in the nationalised industries.

Select Committees: Science and Technology: Subject: Discharge and filament lamps. Witness: GTE Sylvania Endura (Commons 10.30 a.m.). Science and Technology: Subject: Transverse flux induction. Witness: Electricity Council (Commons 4.30 p.m.). Expenditure: Social Services and Employment sub-committee. Subject: Employment and training. Witnesses: Merseyside County Council and District Councils (County Hall, Liverpool, 10 a.m.).

OFFICIAL STATISTICS

Housing starts and completions (February).

COMPANY RESULTS

BICC (full year). Consolidated Gold Fields (half year). Phoenix Assurance (full year). W. H. Smith and Son (Holdings) (full year). Sun Alliance and London Insurance (full year).

COMPANY MEETINGS

Anglo American Securities, Bucklersbury House, E.C., 2.45. George Armitage, Dewsbury, 11.15. Barclays Bank, Lombard Street, E.C., 2.30. Carrington Viyella, Dorchester, Park Lane, W., 12. Derek Crouch (Contractors), Peterborough, 12. Grenfriar Investment Trust, 11, Austin Friars, E.C., 2.45. Donald Macpherson, Wanchester House, E.C., 12. Tavener Rutledge, Liverpool, 12.

COMPANY NEWS + COMMENT

Poor winter sales hold Grattans to £11.8m.

WITH SALES from its Autumn/Winter catalogue disappointing and below expectations in most product groups, taxable profit of Grattan Warehouses rose only 2.9 *per cent. from £11.43m. to £11.76m.* in the January 31, 1978 year.

Sales for the period, before VAT, climbed 12.2 per cent. to £166.69m. (£148.52m.).

Directors say the eventual retail spending for Christmas came too late to materially recover the earlier shortfall. At halfway profit was up from £5.39m. to £6.09m., and directors reported Autumn/Winter sales ahead of the previous year.

Demand so far for the Spring/Summer catalogue has recovered, and the trading performance for the full year is expected to provide increased volume and profit growth.

After tax of £6.31m. (£5.98m.) earnings per 25p share are shown to be up from 12.38p to 12.41p.

A final dividend of 3.802p net takes the total payout to 5.562p, against 5.217p last year. The dividend will absorb £2.45m. (£2.3m.).

The directors intend increasing the authorised capital of the company from £11.8m. to £13.8m. by the creation of eight million unclassified shares of 25p; to convert the 250,000 5 per cent. Cumulative Redeemable Preference shares of £1 into one million *unclassified 25p shares, and to* adopt new Articles of Association. An EGM will be held after the AGM to consider these changes.

	1977-78	1976-77
	£000	£000
Sales	166,685	148,518
VAT	11,946	11,001
Net sales	*154,739*	*137,517*
Trading profit	12,258	11,926
Interest	494	498
Profit before tax	**11,764**	**11,428**
Tax	6,305	5,982
Payable	4,385	3,454
Deferred	1,920	2,528
Net profit	5,459	5,446

● comment

Grattan's figures are disappointing. In the second half sales growth slipped to under 8 per cent. and pre-tax profits fell by 6 per cent. This compares with figures from Freemans yesterday showing an 18 per cent. sales rise and a 29 per cent. jump in profits. Grattan has been losing market share for some years—during the five years to January, 1977, Grattan's share of the mail order market fell from around 12½ per cent. to 9 per cent.—and last year it was probably even lower. The real blow to the figures evidently stems from the autumn catalogue which did not prove successful with its customers. Though gross margins were held, lower sales levels hit the net figure and in the closing half pre-tax margins were down to 6½ per cent. The latest catalogue is evidently much better but that will not take effect until the beginning of March because of the carry over from the old catalogue. Women's wear, in common with the whole industry, was a poor seller last year and the write-offs in the first half were possibly as high as £400,000. Even so, the next set of interim figures are unlikely to look good. Grattan may have potential to restore margins through an improvement in sales but the shares *look unexciting at 128p where* the p/e is 10 and the yield 6.8 per cent. against 10½ and 3.2p respectively from Freemans.

HIGHLIGHTS

Guest Keen experienced a sharp setback in second-half profits due to the continued recession in the steel industry and a marked downturn in automotive products. Figures from the **Bank of Scotland** are also disappointing with operating profits only 2 per cent. higher, although a poor performance from the finance house subsidiary was partially offset by very good figures from the merchant banking arm, with profits over 60 per cent. higher. Lex also takes a look at the latest complications in **BOC's** attempt to gain control of **Airco**. **Grattan Warehouses'** figures are disappointing after the good showing from Freemans yesterday with much of the blame apparently resting with a poorly-received autumn catalogue. Profits continue to slide at **Cape Industries** and prospects do not look so bright given the dependence on the depressed construction industry. Currency movements and a poor South African market has taken its toll on **Mitchell Cotts** but **Savoy Hotel** has had a bumper Jubilee year.

Slight fall at Mitchell Cotts Grp.

ON TURNOVER down from £133.32m. to £124.74m., pre-tax profits of **Mitchell Cotts Group** for the first six months to December 31, 1977, fell slightly from £4.64m. to £4.58m.

Profit for the 1976-77 year was a record £11.67m. and the directors state that it is expected that, due mainly to continuing lower profits from South Africa, results for the full 1977-78 year will be below that level. They add, however, that the attributable profit, after extraordinary items, will show an increase, albeit somewhat less than was originally envisaged.

Pre-tax profit for the half-year included associated companies £131,000 (£230,000) and was struck after interest of £1.64m. (£1.91m.). The interim dividend per 25p share is maintained at 0.65625p net—last year's final was 2.74375p.

Tax took £2.46m. (£2.45m.) leaving net profit at £2.12m. (£2.19m.) and the amount attributable came out at £1.72m. (£1.73m.) after minorities.

The group's activities include: engineering, freight transport and storage, commodity trading, vehicle distribution and agriculture.

● comment

The small setback in Mitchell Cotts' first half is more than accounted for by the stronger pound which lopped off around £500,000 from taxable profits. In spite of some improvement in the U.K. engineering activities, overseas earnings still account for *around four-fifths of the group* total. But currency influences do mask a trading picture which is far from exciting. South Africa, which last year contributed over two-thirds of the group's operating profit, has been hit by *political and economic problems,* although this is unquantified. Other overseas markets, however, are looking more promising. Losses have been eliminated in Canada, and Australia, where Mitchell has been building up its *mining plant orders, is now profit* making. Group profits for the full year are likely to come out at around £9.5m., compared with £11.7m., which puts the shares at 44p on a prospective p/e of 6.6. At present levels the shares yield *11.9* per cent. on a maintained dividend covered nearly twice by prospective earnings. The rating is likely to be pegged until the group becomes less dependent on South African markets.

Record £2m. by Greenbank

DESPITE A decline in second half profitability, **Greenbank Industrial Holdings**, the engineering and property development group, finished 1977 with a record pre-tax profit of £2m. compared with £1.5m. last time, on sales ahead from £7.43m. to £8.33m. At mid-term, the surplus had doubled to £1.18m.

The full year result included foreign currency gains amounting to £462,145 (£162,173), but was struck after depreciation of £98,827 (£74,747). Tax took £1m. (£811,967).

The dividend total is effectively raised from an adjusted 1.5115p to 1.675p per 10p share, with a final of 0.85p net. A two-for-five scrip issue is proposed.

Pursuant to the agreement of *February 2, 1976, the company is* acquiring a further 16 per cent. of the capital of Pipe Profiling Equipment for a nil consideration. Greenbank now holds 84 per cent. of PPE, which showed a further loss of £97,842 for 1977.

Upsurge to peak £2.7m. for Savoy

AFTER RECORDING an upsurge in midway profit from £26,000 to £873,000, the **Savoy Hotel** reports a pre-tax figure more than doubled from £1,237,173 to a peak of £2,686,174 for 1977, which the directors warn might be difficult to repeat in the current year.

The directors state that the exceptional business done in the first six months was a major contribution to the result, as normally this part of the year does not yield a profit in any way comparable to the second period.

A one-for-ten scrip issue is proposed, and the dividend is raised to the maximum permited 1.117p (1p) net per 10p share, absorbing £257,770 (£243,444).

	1977	1976
	£	£
Trading profit	5,509,476	3,677,830
Maintenance	2,201,883	1,718,770
Depreciation, etc.	323,930	298,172
Dividends and interest	73,049	44,998
Interest payable	365,463	468,713
Profit before tax	**2,686,174**	**1,237,173**
Tax	719,691	300,679
Net profit	1,966,483	936,494
Minority interest	8,193	4,472
Extraord. debits	†803,656	657,285
Available	1,154,634	274,737
Dividend	257,770	243,444
From capital reserve	801,648	1,219,580
Retained	1,698,512	1,250,873

† Includes provision for exchange loss on foreign loan of £303,000 and goodwill *written off an acquisition of subsidiary of £490,394.*

● comment

It was clear after the first six months, when profits leapt from £26,000 to £873,000, that Savoy *was heading for an excellent year.* The Jubilee was a significant factor which boosted occupancy rates, but it obviously makes it that much harder for the company to make anything like as good a showing this year. Its *London base makes it dependent* upon foreign tourists and these have tended to decline in number. The recent weakness in sterling, if it continues, may revive some interest by overseas visitors but the American tourist trade could suffer from an even weaker dollar. Also a general election has, in the past, tended to depress trade. So the latest figures may well represent a peak. At 78p the p/e is just under 10 while the yield is only 2.2 per cent.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Bank of Scotland	5.45	May 22	4.88	10.39	9.33
Wm. Boulton ......int.	0.55	May 15	0.5	—	1.38
Cape Industries	5.3	May 26	4.71	8.21	7.35
Grattan Warehouses	3.8	June 13	3.57	5.56	5.22
Greenbank Ind.	0.85	May 22	0.75*	1.68	1.51*
GKN	10.06	May 25	8.05	15.56	12.45
Harrison and Sons	2.71	June 1	2.27	4.2	3.76
Thos. Jourdan	1.9	—	1.63	2.89	2.8
Jove Investment 2nd int.	1.8	May 25	1.63	3.5	3.25
Law Land	0.5	July 11	1.32	1	2.32
Mitchell Cotts Grp. ...int.	0.66	June 5	0.66	—	3.4
Peters Stores ......int.	1	May 30	0.3	—	1
Richards (Leicester)	2.63‡	May 25	2.31	3.81	3.45‡
Savoy Hotel	1.12	—	1	1.12	1
Scottish Metropolitan int.	0.9	Aug. 21	0.82*	—	1.77*
Watts, Blake, Bearne	4.09§	May 30	1.67	6.36	3.21
William Yates	2.99	—	2.72	2.99	2.72
Zenith Carb.	4.4	—	3.94	4.4	3.94

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Includes additional 0.0353p for 1976. § Gross throughout.

Mining side lets down Cape Inds.

REFLECTING a sharply-reduced contribution from its mining division caused by weakening demand for asbestos fibre, pre-tax profit of Cape Industries fell by 17 per cent. *from a peak £14.2m. to £11.86m.* for 1977, on eexternal sales higher at £155.37m., against £133.11m. At half-way, the surplus was down to £0.33m. at £7.03m.

The building and automotive divisions achieved further substantial *increases in full-year sales* and profis, despite generally difficult trading conditions in the U.K., state the directors.

After tax of £2.46m. (£4.87m.) stated earnings are little changed at 39.1p (38.9p) per 25p share. The *dividend total is stepped up from* 7.3474p to the maximum permitted 8.2064p, with a 5.302p final.

Dividends absorb £1.98m. (£1.77m.) and after increased extra-ordinary debits of £3.18m. (£0.34m.), retained profit dropped from *£7.23m. to £4.24m.*

The directors add that, as planned, 1977 capital expenditure was at the high level of £14m. and the group is well placed to take advantage of any upturn in the economy.

	1977	1976
	£000	£000
Turnover	155,366	133,112
Building & insulation	82,833	65,896
Automotive & engineering	40,479	34,997
Mining	31,626	34,771
Less inter-sales	2,567	2,552
Trading profit	13,969	16,336
Building & insulation	5,527	4,624
Automotive & engineerg.	2,418	1,749
Mining	6,024	9,963
Share of assoc. losses	58	238
Interest	2,054	1,894
Profit before tax	**11,857**	**14,204**
Tax†	2,455	4,869
Net profit	9,402	9,335
Extraord. debits	3,184	337
Attributable	6,218	8,998
Preference dividends	9	9
Ordinary dividends	1,979	1,764
Retained	4,239	7,225

† Adjusted for ED19.

● comment

*Cape Industries' first half short*fall of almost five per cent. in pre-tax profits has been followed by a 29 per cent. downturn in the second six months. This is due to a weakening demand for asbestos fibre from the depressed construction industry, and the *important mining division share of* trading profits has dropped from 61 per cent. to 43 per cent. of total. With the construction indus*try yet to show any marked* improvement, there is little prospect of any recovery here for some time. Meanwhile, Cape's other activities are buoyant. Government legislation and concern for energy conservation has *boosted the building and insula*tion division's profits by a fifth while the automotive and engineering division (friction materials) held up well in spite of production difficulties and some market weakness in the second *half. Net borrowings are £6m.* higher at £20m. and stocks are up a quarter to £33m. but interest charges are only 8.4 per cent. higher, thanks mainly to lower rates. The shares, at 118p, are on a p/e of 2.9 while the yield is 11 per cent. covered 4.8 times.

Richards Leicester improves

HIGHER SECOND half taxable *profit of £337,786 against £246,621,* boosted the full year figure of Richards (Leicester), the structural and mechanical engineering and ironfounding group, from £489,621 to a record £660,786 for 1977. Turnover was ahead £1.63m. *at £5.71m.*

When announcing midway profit of £323,000 (£243,000), the directors said that with satisfactory order books, the second half figure was expected to be similar to those reported provided full production was maintained.

Stated full year earnings advanced to 17p (12.2p) per 25p share. A final dividend of 2.5987p lifts the total to the maximum permitted 3.8087p net, compared with 3.4453p for 1976, which includes an additional 0.0353p on ACT reduction, to be paid with the 1977 final.

Tax takes £320,897 (£245,623) and dividends £76,880 (£68,200) to give retained profit up from £175,798 to £263,009.

W. Boulton first half progress

PRE-TAX profit of William Boulton Group was ahead by £80,524 to £575,780 for the six months to December 31, 1977 on turnover up from £8.42m. to £9.69m.

The interim dividend is stepped up to 0.55p (0.5p) net per 10p share and also proposed is a one-for-four scrip issue—last year's final dividend was 0.8646p paid from profits down from £1.13m. to £1.04m.

Tax for the six months takes £205,000 (£267,000) and minorities £10,087 (£4,080). The amount attributable came out at £360,693 (£224,176).

The group manufactures machinery, is a general engineering concern and high duty ironfounder.

Zenith turns in £1.32m.

DESPITE A fall in second-half profits from £691,000 to £437,000, Zenith Carburetter Corporation *reports full year 1977 taxable* profits ahead from £1.21m. to a record £1.32m. on turnover of £11.76m. against £10.73m. At half-time, the directors said that the reported level of profitability would not be maintained in the second half.

Profit for the year includes income from trade investments, quoted investments and deposit interest of £486,000 compared with £495,000 last time.

Earnings per 50p share are up from 9.7p to 10.8p and the dividend is increased to 4.39775p (3.9375p) net.

Second half drop cuts GKN to £72m

A SECOND HALF downturn of £25.1m. to £31.54m. has left taxable profit of Guest, Keen and Nettlefolds down from £97.7m. to £72.3m. in 1977. Turnover was up from £1.5bn. to £1.64bn.

Directors say the turnover increase reflects lower sales volumes as it is not equivalent to the average inflation across the group.

They say that as indicated at half-time, when profit dipped from £43.12m. to £40.76m., there was a severe downturn on those areas concerned with steelmaking, processing and *distribution* and with supplies to the building and construction industries.

In the second half automotive operations, which had maintained their position in the first half, suffered increasingly from labour *disputes internally and at cus*tomers' works and other component suppliers.

In Europe, some flattening off in demand was experienced.

And the first months of 1978 have continued in the same pattern as *at the end of 1977.*

Although vigorous management action is being taken to improve the competitive position of the group, the outcome for 1978 will depend largely upon the extent of any improvement in trading *conditions as the year progresses* and the success of any measures taken by governments to stimulate economic recovery.

There are still no signs of any upturn in world steel demand, and while the directors look to increasing operational efficiency in the new rod mill and other recent investment areas, indications are that non-automotive operations will fare little better than in 1977, although distribution operations expect some improvement in demand.

Automotive component companies, including those in Europe, expect to do little more than maintain their overall 1977 activity levels, although there may be a small improvement in the U.K. passenger and commercial vehicle industries.

There are signs of some fall-off in the European component operations which in recent years have made substantial progress. Outside Europe, economic conditions in GKN's main operating areas are generally poor.

GKN's trading surplus after historical depreciation of £35.1m. (£31.9m.) was £102.6m. compared with £123.6m. GKN has charged additional depreciation of £19.5m. (£15.7m.) for inflation. Including associates the total additional amount of depreciation charged, but on which no tax relief is available, is £21.7m. (£17m.).

The tax charge is £31.7m. (£35.5m.), and earnings share are shown at 24.9p Earnings before the ad depreciation charge are st 39.2p (56.5p).

Pending the receipt fr West German Supreme C the full judgment against chase of a further 50.01 p of Sachs AG, GKN has an appeal with the Mini Economics, "a recognise separate procedural ru dealing with public aspects."

Total exports from th including sales invoiced purchasers for overseas mers, rose 24 per cent. to in the year. Also, overs tracts and income from how and technical aid agr accounted for £36m. and *exports are estimated at* a £330m.

Primary metal accounted for £283m., or cent., of total turnover a or 11 per cent., of the surplus. Automotive com *accounted for £740m.* cent.) and £47m. (58 per wholesale and industrial tion £352m. (19 per ce £13m. (16 per cent.); and and civil engineering and services £485m. (26 p and £14m. (17 *per cent.*) group sales were £221m.

U.K. companies co £1.15bn. (£1.02bn.) of s £52.5m. (£69.8m.) of the surplus.

On capital increased one-for-five rights issue dividend of 10.059p (8.04 per £1 share is propose the total for the year to (12.4516p). The increase approved by the Treasur

Directors will be seeki holder approval for a sa lated share option sch employees and a shar scheme for senior execut aggregate 11.35m. new would be made available years for the schemes, r ing 7.5 per cent. of the share capital. Each sche be allowed a maximum 5 of current capital.

Turnover	[illegible]
Depreciation	[illegible]
Trading surplus	[illegible]
Additional depreciation	[illegible]
Invest. income, int. receivable	[illegible]
Interest charges	[illegible]
Assoc.	[illegible]
Profit before tax	[illegible]
Tax†	[illegible]
To minorities	[illegible]
Extra-ord. losses	[illegible]
Attributable	[illegible]
Dividends	[illegible]
Retained	[illegible]

† Adjusted for ED19.

See Lex

Watts Blake Bearne higher at £2.7m.

WITH SALES ahead from £14.89m. to £17.57m. pre-tax profit of Watts, Blake, Bearne and Company increased from £2.52m. to £2.87m. in 1977.

Of sales, the U.K. accounted for £4.42m. (£3.73m.) and export and overseas sales £13.16m. (£11.16m.).

Trading profit was £4m. (£3.18m.) with depreciation of £1.27m. (£1.05m.), profit on the sale of investments of £74,000 (nil) and post invoice currency losses totalling £140,000 against profits of £385,000.

U.K. tax took £878,000 (£997,000), overseas tax £92,000 (£64,000) and the tax equalisation accounts £356,000 (£266,000). At halfway profit was £0.78m. (£0.77m.).

Earnings per 25p share are given at 14.79p (15.84p), with attributable profit ahead from £1.19m. to £1.34m.

A final dividend of 4.091p gross takes the total from 3.20513p gross to 6.36373p per share, and a one-*for-two scrip issue is proposed.*

Mr. C. D. Pike, the chairman, says that in spite of the general anticipation of a decline in world-wide trade, this ball and china-clay processing and selling group hopes to continue to maintain its position.

He says the group is tightly knit and well prepared for whatever fluctuations may lie ahead.

The investment programme of some £2.5m. for 1978 i cation of its confidenc future, he adds.

● comment

Watts, Blake, Bearne results last year were fi mid-term expectations. profits were up 28 per the 18 per cent. rise reflecting a volume i about 5 per cent. Both overseas markets sh anticipated buoyancy. I the currency windfall in 1976 the company exchange losses of £1 year, which left pre-t rather flat. Meanw company plans to in £750,000 in its German £1.75m. in the U.K. indicates long-term con immediate outlook is gradual rate of growth the strong overseas co reduce the dependenc depressed U.K. buildi The shares were unc 145p yesterday, which g of 4.5 per cent. and a

EQUITY & L

In our comment on L Law Life Assurance S terday the dividend co have been 1.3, and covered as stated.

Yearlings rise $\frac{3}{8}$%

The coupon rate on this week's batch of local authority one year bonds has risen from 7⅞ per cent. to 8¼ per cent. at par. The bonds are due on April 11, 1979.

This week's issues are: Corporation of London (£1m.), Borough of Hove (£½m.), Renfrew District Council (£1m.), City of Glasgow District Council (£2m.), Kirklees Metropolitan Borough Council (£½m.), St. Helens Metropolitan Borough Council (£½m.), The Borough of Eastleigh (£½m.), Borders Regional Council (£½m.), Etterick and Lauderdale District Council (£5½m.), Beverley Borough Council (£½m.), City of Lincoln (£½m.), Borough of Scunthorpe (£½m.), Cheltenham Borough Council (£½m.), Sefton Metropolitan Borough Council (£½m.), City of Wakefield Metropolitan District Council (£2½m.), Dudley Metropolitan Borough *Council (£½m.), Borough of* Cheltenham (£½m.).

West Oxfordshire District Council has raised £½m. of 9½ per cent. bonds dated April 2, 1980.

Surrey Heath Borough Council is raising £½m. of 10½ per cent. bonds at par dated April 1, 1981.

Four-year bonds carrying a coupon of 10½ per maturing on March 31, have been issued Borough Council (£½m.) Buchan *District Coun* Basingstoke District (£½m.).

Variable rate five-y dated March 30, 1983, issued by Central Reg cil (£1m.), Strathclyd *Council (£1½m.), Medw* Council (£½m.), Burnl Council (£½m.), Bol politan Borough Cour South Cambridgeshir Council (£½m.).

PRESSAC SC

Pressac Holdings is to increase its capital which £400,000 will be cent. Cumulative shares of £1 each, a scrip issue of one share for every te shares held.

CH—93%

CH Industrial's £41 issue on the basis of at 25p each has bee as to 92.862 per cent.

Bank of Scotland rises 3.1% to reach £27.6m.

A 3.1 per cent. increase in taxable profit from £26.77m. to £27.59m. is reported by Bank of Scotland for the year to February 28, 1978.

In the clearing bank operations net interest earnings were virtually unchanged, with the adverse effect of a reduction of 3.7 per cent. in *average base rate* from 11.55 per cent. to 7.85 per cent. compensated for by the employment of greater resources, mainly in the currency side of the business.

Commissions were higher but the increase did not match the rise in expenses. *The outcome for* the bank was a £1.4m. fall in profit, the directors report.

The finance house subsidiary, North West Securities, increased its profit by £480,000 to £7.05m. while British Linen Bank, in its first accounts since it re-emerged to conduct the *merchant banking* business of the group, showed an improvement of £1.23m. to £3.19m.

Net interest earnings suffered severely in the second half but commissions improved, and the impact of expenses was fairly evenly spread. The amount *charged for* bad debts in the first six months proved to be more than 50 per cent. of the total finally required and North West Securities contributed more in the second half.

	1977-78	1976-77
	£000	£000
Operating profit	26,927	26,330
Share of assocs.	786	444
Pre-tax profit	27,593	26,774
Tax	15,090	14,914
Net profit	12,503	11,849
Extraord. credits	380	218
Attributable	13,133	12,058
Dividends	3,537	3,146
Leaving	9,616	8,912

In the event, the group profit figures for the two periods was similar at £13.7m. and £13.1m. respectively, before inclusion of associates, the directors say.

The net total dividend is raised to 10.894p (9.829p) per £1 share with a final of 5.449p.

The directors say that for for comparative purposes the previous year figures have been adjusted by the deduction of £1m. additional pension provision before arriving at operating profit. The overall charge for pension in 1978 is slightly greater after making this adjustment.

Had the accounts been drawn up at the calendar year end, as with other clearing banks, the directors say they calculate the profit increase would have been *of the order of 18 per cent.*

The profit improvement by British Linen Bank came primarily from increased volume in all areas of its business, while profitability of term lending was enhanced by the lower cost of funds.

The advance at NWS came from higher turnover, lower cost of money and a continuing low level of bad debts. Its consumer division contributed about half its profit with the other half coming mainly from the commercial and corporate divisions, the directors state.

Henlys will be treated as an associated company in future, following the acquisition of a 26 per cent. holding by NWS at the end of its fiscal year, the directors add.

See Lex

Second half slowdown at James Dickie

A downturn in second half earnings from £228,213 to £184,990 has *left pre-tax profit of James Dickie* and Company (Drop Forgings) down from £402,306 to £396,633 in 1977.

At halfway when profit was up from £176,283 to £211,342, directors said demand for forgings was static while casting orders were improving and the outlook was encouraging.

Turnover for the year increased from £2.79m. to £3.45m. and the *result is subject to tax of £127,001* (£195,931), which leaves net profit at £269,331 (£206,575).

Earnings per 25p share are given at 14.54p against 11.13p, and a final dividend of 2.185p (1.93p) takes the total to 4.4p (3.86p).

Regional development grants of £7,523 (£10,089) have been credited to reserves.

Advance at Peters Stores

AS FORECAST in the annual report, pre-tax profit of Peters Stores rose substantially from £121,689 to £384,863 in the December 24, 1977, half-year.

Turnover was ahead from £2.74m. to £3.35m., and while sales in the second half continue to be ahead of the previous year, the directors point out that the bulk of the company's profits arise in the first half.

But they feel that if existing trends are maintained profitability should continue to increase. For all last year profit totalled £149,073.

Tax in the first half took £224,000 (£63,000) and earnings per share are shown at 5p against 1.8p last time.

The interim dividend is up from 0.3p net per 10p share to 1p, *which was the total payout* last year.

The company, a leisure wear retailer, has close status.

Thos. Jourdan falls to £0.5m.

DESPITE *A slight mid-term rise* from £210,000 to £223,000 Thomas Jourdan, investment holding company, finished 1977 with taxable profits of £500,227 compared with £607,890 for 1976. Mr. Archie McNair, the chairman, says in his annual statement with accounts that the company faced severe restraints in some countries and continuing trade recessions in most. Last year he said that expanding sales was going to be difficult. "It has been and the tide of recession is still running strong, but we are making headway."

Excluding W. Muncey and Co., which ceased trading during 1977, group turnover is shown as only slightly down from £4.69m. to £4.55m.

Stated earnings per 10p share are 8.94p (7.94p) and the dividend is increased to 2.8875p (2.6p) with a final of 1.8985p net.

Sales of Mary Quant merchandise, upon which the group receives royalties, have again increased in terms of volume, but this has not been fully reflected in turnover. Mr. McNair states. This discrepancy has arisen because there is a large element of *overseas sales*, and the strength of sterling has distorted the comparison of performance with 1976.

John Corby's sales again increased substantially, and further reorganisation of its manufacturing and costing methods has resulted in increased margins. Profits therefore improved considerably, and the chairman believes that the basis on which this company now operates, provides great scope for the future.

Midland Designing and Manufacturing started 1977 with a low order book, but traded well to end *the year with a reasonable profit*, he says.

Despite very difficult trading conditions at home, Hemcol succeeded in increasing its share of the U.K. market significantly and made a useful profit. Export sales remained elusive, although it is hoped that the efforts being made *will soon be rewarded.*

Simplon found both trading conditions in its existing markets and expansion into new territories difficult. In these circumstances the *chairman* feels it did well to achieve substantial sales and profits, although both were disappointing in comparison with 1976.

The hoped for recovery at Muncey did not materialise and the Board therefore felt it prudent that the company should cease trading. This has now been done, the chairman says, and full provision has been made for all closure costs in an extraordinary charge of £37,172. This comprised: closure costs £28,943; loss on sale of property £91,613; loss on revaluation of property £50,993; profit on sale of other fixed assets £23,873 making £147,676; transfer from capital reserve of surplus on previous revaluation of properties £142,606; loss on revaluation of property owned by trading subsidiary £79,349 covered by the transfer from capital reserves of surplus on previous revaluation of properties; cost of overseas rights £32,102.

One factory has been sold and *contracts are due to be exchanged* for the sale of the other.

	1977	1976
	£	£
Turnover	4,62[illegible]	5,4[illegible]
Profit before tax	500,227	607,890
Tax	141,117	289,142
Net profit	359,110	318,755
Extraordinary charge	37,172	—
Available	321,938	318,748
Interim dividend	57,796	39,149
Final dividend	76,221	65,243
Retained	187,929	104,356

As a result of a change in accounting policy relating to deferred tax the directors of Jourdan have decided to limit the provision concerning stock relief to a reasonable level, at £40,820 compared with £54,122. Had the full provision been made the transfer in the current year would have been £164,940 (£78,350).

A divisional analysis of turnover and pre-tax profits shows: royalties £0.26m. (£0.23m.) and £0.24m. (£0.23m.); marketing £1.43m. (£1.65m.) and £0.12m. (£0.19m.) *and general industrial* £2.94m. (£3.36m.) and £0.13m. (£0.19m.).

At the year end there was a decrease in net liquid funds of £0.35m. against a £0.38m. increase.

Meeting, Inn on the Park Hotel, W., on April 27 at noon.

● comment

Thomas Jourdan anticipated an upturn in business from the oil-rich Arab and African markets, but this did not materialise during 1977, and profits slipped by 18 per cent. Cutbacks in industrial development in these countries meant a shortfall in budgeted levels of exports—down a fifth on the year to account for 44 per cent. of total sales. Simplon (*floodlighting equipment* mainly for the construction industry) seems to have suffered most with sales 12 per cent. lower. Elsewhere, Midland Designing (a third of profits) slipped slightly but this was more a function of higher costs to develop new markets than any slackening of demand for its principal product, the inner tube tyre splicer, which has firm markets in the third world. Meanwhile, royalties *from* sales of Mary Quant branded products continues to provide a steadily increasing income, and Corby should do well with its domestic trouser presses when consumer *spending* rises. At 36p the shares are on a p e of 3.8 while the yield is 12.8 per cent.

Ransomes Sims expecting profit improvement

SALES PROSPECTS of most products of Ransomes Sims and Jefferies for 1978 are encouraging, and the directors will be disappointed if the results for the year do not show further improvement on the 1977 figures, Mr. Geoffrey Bone, the chairman, says in his annual statement.

He says that the company's ability to maintain profit margins remains uncertain while U.K. inflation continues at a higher rate than in the countries of its chief competitors.

There is some prospect of improvement in utilisation of its factories, which is another factor which will affect its ability to improve the return on capital and profitability.

The electric truck division of Ransomes has begun the year with an improved order book and production is being increased accordingly. In the grass machinery division prospects are bright.

The harvesting machinery division order book is, however, below last year's opening level and difficult trading conditions are expected. Last year, sales of this division rose 33 per cent. to £3.99m., but production was insufficient to meet demand, with the result that Ransomes could not offer acceptable deliveries for the 1977 season potato and sugar beet seasons.

Orders in the tilling equipment division are reasonable and while trading conditions are expected to be more difficult this year, directors are expecting to continue *growing in Europe* and to improve the 1977 performance.

Work has begun on installing electric melting facilities at its foundry, which will provide lower cost metals for the group. Sales *of castings to outside customers* reached £0.5m. last year, and this practice will continue.

In Australia, prospects are promising for a continuation of the progress of 1977, while in South Africa there are no signs of imminent improvement.

Ransome France is expected to reduce its loss through increased throughput of farm machinery and the recent takeover of its grass machinery importer/distributor.

During the year Ransomes properties in the U.K. were revalued with the £3.17m. surplus transferred to reserves. A revaluation in Australia produced a £80,000 surplus.

A current cost statement included with accounts shows a reduction of the pre-tax profit of £2.25m. (£2.02m.) to £354,000 (£24,000) after additional depreciation of £453,000 (£455,000), a cost of sales adjustment of £2.1m. (£2.43m.) and a gearing adjustment of £0.85m. (£0.89m.).

Accounts show a rise in net current assets from £8.9m. to £12.45m., with the reduction of bank overdrafts from £6.14m. to £3.34m. *a major component of the* increase.

Meeting, Ipswich, May 5 at 3 p.m.

Metalrax sees substantial progress

In his annual statement Mr. John Wardle, the chairman of Metalrax (Holdings), says the group started the current year *with extremely strong order books* and first half results should be at record levels. He views the whole year with confidence and, although he feels it would be unrealistic to expect a repeat of last years growth, he forecasts substantial further progress.

As reported on March 1, pre-tax profits jumped by 74 per cent. from £0.84m. to £1.47m. in 1977 on sales of £11.04m., compared with £7.28m. The dividend is effectively raised from 1.0137p to 1.13215p net per 5p share and a one-for-ten scrip issue it a so proposed.

Mr. Wardle points out that 1977 *profits were 44 per cent. of* net assets employed. Shareholders funds have increased from £2.4m. to £3.33m.

Metalrax spent £661,000 on capital investment in 1977 and £579,000 on the recent purchase of Bacol Industries despite these two very substantial items of expenditure gearing is still minimal, he adds.

Shareholders, he states, can look forward to increased dividends if dividend legislation is relaxed.

Meeting, Edgbaston on May 11 at 11.45 a.m.

Authority recovers to £0.39m.

Operating loss of Authority Investments for the year to September 30, 1977, was reduced, excluding subsidiaries sold, from £225,436 to £118,006 and after a much higher profit on sale of investments of £514,970 against £55,185 profit emerged as £392,024 compared with a loss of £179,762 after tax of £4,940 (£9,511).

Operating loss of subsidiaries sold, was up from £24,889 to £147,611 and after a release of £54,440 on part of an exceptional provision for exchange loss on foreign loan repayable September 1978, compared with a debit of £355,622 last time, and an extraordinary debit for the year £64,141 (£20,804), profit for the year came out at £234,712 against a loss of £581,077.

Earnings per 20p share are shown as 5.98p (11.2p loss) and, as last year, there is no dividend—the last payment was a 0.1p net interim for the 1974-75 18 months.

Bonus declarations

The London Life Association, an old-established mutual life company, has decided to introduce payment of a terminal bonus on with-profit contracts. For assurances this will apply when the policy becomes a death or maturity claim and on annuity contracts when the policy vests and the annuity or pension becomes payable.

Many life companies have been paying such terminal bonuses for *many years and it is now part of* the bonus system. But as Mr. A. K. Tudor, actuary and general manager of London Life, points out, that there have been a number of factors influencing the company's decision to make this change. Primarily, the unprecedented volatility in equity *markets in recent years was felt* to inhibit the practice used up to now of increasing the level of reversionary bonus by taking credit for unrealised capital appreciation.

But the company has also improved its reversionary rates as well for 1977. On assurances and annuities it is lifted to £4.70 per cent. of the sum assured (or basic benefit) plus attaching bonuses from £4.60 per cent. in 1976. The terminal rate is fixed at 35 per cent. of attaching bonuses with a maximum of 45 per cent. of the sum assured. On simple bonus pension business, the rate is lifted to £8.30 per cent. of the basic benefit from £7.70 per cent. The special bonus annuity will be 25 per cent. of attaching bonuses. Improvements have been made in rates of reduction under the reduction of premium series. The terminal bonus will be ½ per cent. of the sum assured for each complete year in force.

The intention is that terminal *bonus rates will move to reflect* changes in market conditions. They will be reviewed twice a year in November and May.

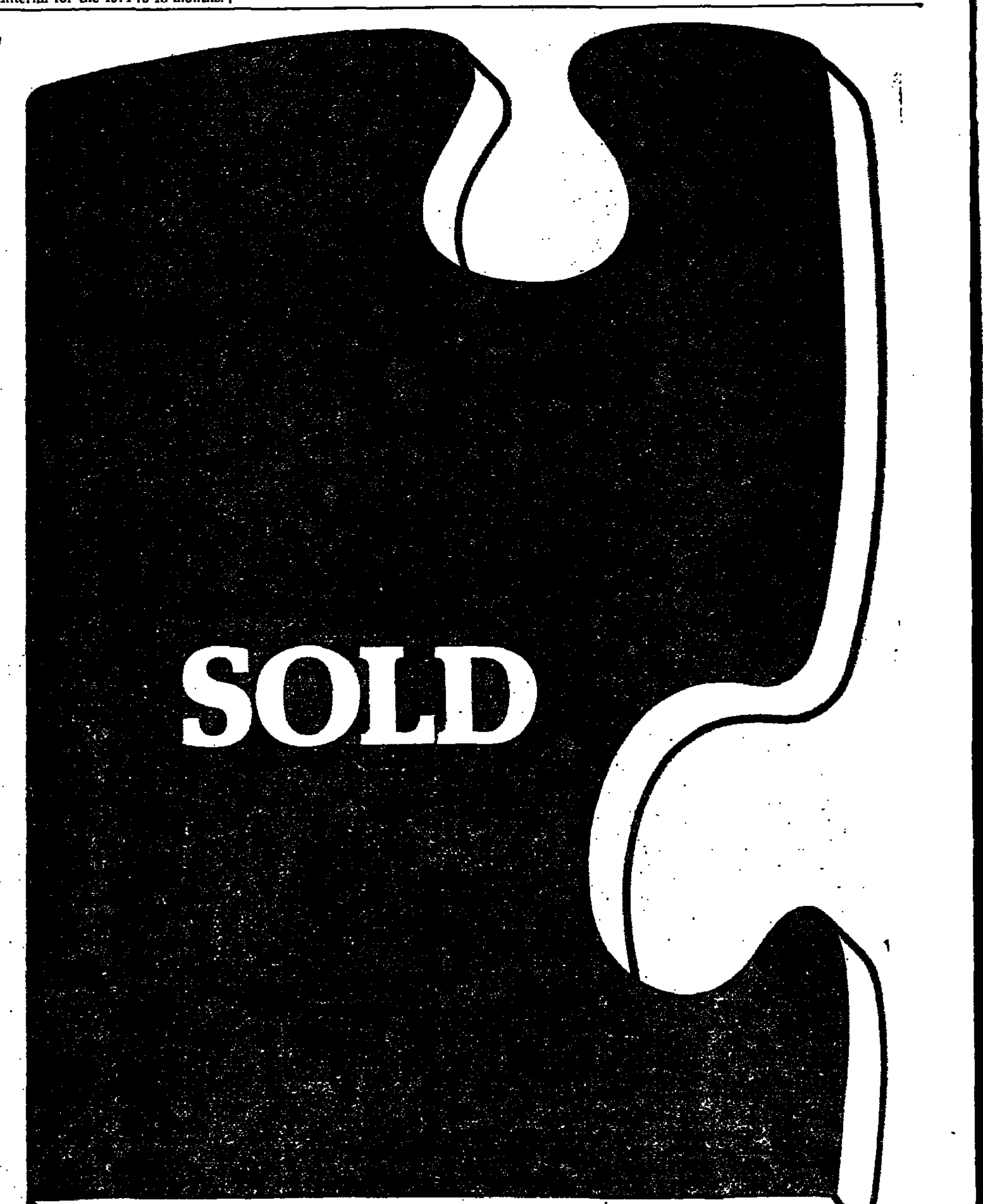
The Scottish Amicable Life Assurance Society had declared substantial increases in its reversionary bonus rates for the three years to April 1, 1978. On ordinary assurances and deferred annuities the new rates are £4.25 per cent. per annum on the sum assured or basic annuity and £5.25 per cent. per annum on existing bonus additions. The rates at the previous triennium were £3.80 per cent. and £4.80 per cent. respectively and the latest interim rates were £4 per cent. and £5 per cent. respectively.

On Flexidowments (Second Series) the bonus rate declared for the first time is £3.75 per cent. of the sum assured and on Flexipension and Superannuation contracts (also declared for the first time) it is £4 per cent. of the basic benefit. On group pension contracts the bonus rate is £4.75 per cent. on the benefit secured including past bonus additions.

The interim rates have, however, been pitched somewhat lower than these rates. On ordinary assurances they are £4.10 *per cent.* and £5.10 *per cent.* respectively. For Flexidowments they are £3.75 per cent. per annum of the sum assured and £6 per cent., of attaching bonuses. For Flexipension and Superannuation it is £4 and £6 respectively. The terminal bonus is unchanged.

Gresham Life Assurance Society, an associate company of N. M. Rothschild and Sons, has declared unchanged bonus rates for 1977. On the new series individual assurance contracts, reversionary bonus rate remains at £3.25 per cent. of the sum assured *and attaching bonuses—a rate* first declared in 1975. On the old series the rates vary from £2.85 per cent. of the sum assured to £7 per cent. On personal pension policies the reversionary bonus rate is kept at £3.40 per cent. of the basic benefit and attaching bonuses.

The company is also maintaining terminal bonus rates, payable on death or maturity, at the same level. For assurances on the new series it is 20 per cent. of attaching bonuses, a rate unchanged since 1974 when it was reduced from 25 per cent. On the old *series the rate is £0.80 per cent. of* the sum assured for each policy year subject to a maximum of 25 years.



MINING NEWS

Mt. Newman rejects cut in Japan ore sales

BY KENNETH MARSTON, MINING EDITOR

THE REPERCUSSIONS of the world economic recession are being increasingly felt by the Japanese steel industry and its *major suppliers of iron ore in* Western Australia. Among the latter, the big Mount Newman operation of Amax, CSR, Broken Hill Proprietary, Selection Trust and Mitsui-C. Itoh, has refused to accept the June quarter reduction in Japanese iron ore requirements.

It is reported from Canberra that the Japanese June quarter iron ore declaration was at an annual rate of only 16m. tonnes. This compares with the 24.4m. tonnes annual base rate of Mount Newman's Japanese contracts, a figure which may be either increased or decreased by 10 per cent. at the steel mills' discretion.

The latest declaration is thus 27 per cent. below the minimum of 22m. tonnes listed in the long-term contracts. As already reported, Mount Newman expected some reduction below the minimum level in view of the heavy ore stockpiles held in Japan. But the extent of the June quarter cut is regarded as excessive.

A similar reduction is understood to have been received, and refused by the Rio Tinto-Zinc group's Hamersley operation, whose basic Japanese contracts are about the same as those of Mount Newman. Both ore groups are expected to continue negotiations in Tokyo later this month.

Last year Mount Newman shipped a total of 28.5m. tonnes *of ore to its various customers.* Recently Mr. Elwin Smith, president of the consortium's export sales organisation, anticipated *that 1978 shipments would be* limited to 29m. tonnes compared with the annual production capacity of 40m. tonnes.

Last year both Mount Newman and Hamersley secured sizeable price increases for their supplies of iron ore to Japan and the *latter has been seeking* an increase in its recent contract negotiations.

Meanwhile, Richard Rolfe *reports from Johannesburg* that the South African Transvaal Coal Owners Association has negotiated a modest price rise of 4 per cent. for its coal supplies to the Japanese steel mills which signed the original South African-Japan export contract in the early-1970s. The new coal price, which will last for one year, will be $37.72 (£20.19) per long ton f.o.b. Richards Bay.

The TCOA delegation which negotiated the price rise was subjected to heavy pressure from the Japanese to force down the *total intake of low-ash coal* because of the steel industry recession. The result was an agreement to reduce the Japanese *shipments by 4 per cent. to 1.63m.* tonnes this year. Total South African coal exports are expected to exceed 10m. tonnes this year.

AMAX ESTIMATES RESERVES AT HEMERDON BALL

Drilling at the Hemerdon Ball tungsten-tin-china clay deposit near Plymouth indicates the existence of 20m. tonnes of tungsten mineralisation to a depth of 100 metres, according to Amax Exploration which is working on an exploration programme as part of a joint venture with Hemerdon Mining and Smelting.

This is the first indication of reserves at Hemerdon Ball since the current phase of drilling started at the end of 1976. Amax became involved last year. Amax said yesterday that the figure correlates with estimates reached in the mid-1930s and with addi*tional drilling* done by Hemerdon Mining in 1976.

In 1936-37 work done by British Metals Corporation revealed reserves amounting to 5.6m. short tons, assaying 3.6 lbs of wolfram and 1.02 lbs of tin per short ton. But no drilling deeper than 60 feet has been done until the current programme.

The Amax statement yesterday outlined the agreement reached between the Hemerdon Ball joint venturers and English China Clays for work on ECC land adjacent to Hemerdon Ball and specified Amax's desire to continue exploration. Both these developments were reported in the Financial Times of March 31.

Amax also sounded a note of caution. "Determination of the commercial viability of the prospect *will require several more* years of drilling and metallurgical tests," the statement said.

Zinc depression hurts Kerr Addison project

KERR ADDISON, the Toronto group, is postponing its Grum joint venture with Canadian Natural Resources for the develop*ment of a major zinc-lead-silver* deposit in the Yukon, Mr. William James, the president, stated in the annual report.

The decision reflects the low level of metal prices and follows Mr. James's conclusion that "it is not economically feasible to bring this property into production at this time."

Although zinc prices have risen *since the beginning of March to* around £300 a tonne on the London Metal Exchange for cash metal, current levels are the same *as in the middle of 1975.*

Within the industry there is little hope of improvement. Both zinc and copper were singled out by Mr. David Thomas, the president of Sherritt Gordon, another Canadian group, as unlikely to rise significantly. His conclusion in the annual report was that "*it is difficult to find compelling rea*sons for optimism about business conditions in 1978."

A reduction in worldwide zinc and copper production is required, according to Mr. Thomas, and *until this occurs on a scale suffi*cient to bring supply and demand into balance, Sherritt's mining division will be a drain on the *company's earnings with costs* exceeding current prices.

Sherritt's situation is by no means exceptional and against *this sort of background the Kerr* Addison decision on Grum is wholly predictable. Kerr is, in any event, expecting its 75 per *cent.-owned Mogul of Ireland to* lose money this year at its Co. Tipperary zinc-lead mine, despite a *reduction is production.*

Mogul's cut, however, is small when compared with others. It is reducing concentrate production to 85 per cent. of capacity. In Texas, by contrast, Asarco has decided to curtail output at the Corpus Christi electrolytic facility to 50 per cent. of capacity.

At Sturgeon Lake in Ontario, Mattabi Mines, which is 60 per cent.-owned by Mattagami Lake *Mines, is also reducing zinc con*centrate production. This is part of what Mattagami calls "a concerted effort to reduce expenditures" *in the face of "disastrous* market conditions for zinc, low prices for copper and current cash flow difficulties."

This effort involves deferring a start to production at its Lyon Lake base metals mine and holding electrolytic zinc production to 69 per cent. of capacity at its Valleyfield reduction plant. Any improvement in zinc demand can be met from existing inventories, Mattagami stated.

● Kerr Addison has given notice of the demise of its 40-year-old Virginiatown gold mine in Ontario. At current price levels, there is enough ore for about two years of profitable operations.

J. Lyons remains cautious

J. LYONS announced yesterday that results in the third quarter were below original expectations despite a 6 per cent. increase in turnover, compared with the corresponding period last year. But a spokesman for the company said that conditions had not *changed since the first half* interim statement in December which was "cautious about prospects for the rest of the year."

Yesterday's statement was made in response to the listing requirements of the Paris Bourse and was not intended to alter the *London stock market's view of the* company's trading. Nevertheless, it caused several brokers to ring up the company and ask what was *going on.*

Town Centre Securities ahead so far

With group revenue for the six months to December 31, 1977 *ahead from £703,331 to £812,743* pre-tax profit of Town Centre Securities more than doubled from £150,500 to £304,492.

After tax of £158,000 (£78,000), net profits of the property investment company was £146,492 (£72,500). For all of 1976-77, profit was a record £470,000 and a 0.81695p net per 25p share dividend was paid.

Hogg Robinson forms two companies

Two new companies have been formed by Hogg Robinson Group, insurance broker, Lloyds underwriting agent, and shipping, forwarding and travel agent.

They are: Hogg Robinson (Guernsey), which will be involved in the management of captive insurance companies; and Oasis Insurance Company, formed in conjunction with Saudi Arabian interests and registered in Dubai. It will initially operate from Jeddah, Saudi Arabia.

Eagle Star forms company

Eagle Star Insurance is proposing to domesticate its U.S. branch trading activities by forming Eagle Star Insurance of America. The new company is planned to become operative from July, 1978.

The U.S. non-marine and marine business at present *written for* Eagle Star through Whitehill Agency and Talbot Bird, respectively, will form the basis of the new concern's *portfolio*, with Talbot Bird continuing to act as marine general agents.

Sir Denis Mountain will be its chairman and Mr. F. J. Spitainy, at present U.S. manager, its president.

Law Land drops to £134,337

ON TURNOVER of £8.97m. against £8.32m. pre-tax profit of Law Land Company plummetted from £674,791 to £134,337 in 1977. At halfway profit was £0.36m. (£0.46m.), but directors did not expect the first-half result to be repeated in the second half.

The profit is before a transfer from the capital reserve relating to development properties of £240,000 (£81,000), a tax credit of £46,210 (£295,922 charge) and minority debits of £118,617 (£34,654 credit).

Extraordinary profits totalling £2.69m. (£0.62m. loss) are covered by a transfer to (from) the capital reserves, and attributable profit emerges at £526,914 against £412,965 last time. Basic earnings per share are given at 1.5p (1.21p).

A final dividend of 0.5p (1.317p) net per 20p share takes the total to 1p (2.317p) as forecast at half time.

The directors estimate that a valuation of the group's properties held as fixed assets on an *open market* basis would show a surplus in excess of £13m. over the value of £49,487,832.

The extraordinary item[illegible] sist of the net surplus on [illegible] of investment propertie[illegible] tax of £310,600 (£18,034)[illegible] £1,202,740 (£42,001), a sur[illegible] the purchase of its own [illegible] tures and loan stocks [illegible] (£113,638), a surplus on [illegible] demption of mortga[illegible] £185,825 (£193,133), tax [illegible] ment for previous years [illegible] sale of properties of [illegible] (nil), a surplus on exchan[illegible] of £860,627 (deficiency [illegible] a deficit on the liquidat[illegible] subsidiary of £12,319 [illegible] and costs of property [illegible] of £17,534 (nil).

WILLIAM YAT[illegible] UP TO £0.2M.

Taxable profit of Willia[illegible] textile merchant, was li[illegible] £156,765 to £214,820 in the [illegible] 31, 1977 year.

After tax of £106,877 [illegible] net profit was £107,943. The dividend is ahe[illegible] 2.7225p net per 50p [illegible] 2.9945p. The company [illegible] status.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interims: AB Electronic Products, Consolidated Gold Fields, North Atlantic Securities, Wombwell Foundry.

Finals: BICC, Black and Edgington, Boosey and Hawkes, J. E. England (Wellington), Hiltons Footwear, Robert McBride (Middleton), Phoenix Assurance, W. H. Smith, Sun Alliance and London Insurance, Tilbury Contracting, *Unicorn* Industries.

FUTURE DATES

Interims—

Anglo Scottish Investment Trust	Apr. 27
Coronation Syndicate	Apr. 14
Equity Income Trust	Apr. 17
Lowland Investment	Apr. 21
Tweefontein United Collieries	Apr. 14

Finals—

BSG International
Beauford
Brown Boveri Kent
Bulmer and Lumb
Carron
Chamberlain Group
Delta Metal
Dewhirst (I. J.)
Eagle Star Insurance
English National Investment
Finlan (John)
Fogarty (E.)
Hambro Life Assurance
Hewden Stuart-Plant
Jersey General Investment Tr[illegible]
Lec Refrigeration
Liberty
Moorhouse and Brook
Newarthill
Oil Exploration
Provident Life of London
Revertex Chemicals
Rowan and Boden
Sanderson Kayser
Sharna Ware
Shiloh Spinners
Smith St. Aubyn
Tarmac
Taylor Pallister
Vickers
Youghal Carpets

OIL AND GAS NEWS

More consumer exploration sought by OAPEC

THE Organisation of Arab Petroleum Exporting Countries (OAPEC) has called on industrialised countries to help step up *oil exploration activities in pro*ducing countries to avert what it calls a real energy crisis.

OAPEC's monthly bulletin says new patterns of co-operation in the field of exploration between consumers and producers could be found that would be beneficial to all parties. The current trend in world exploration activity is to drill for oil outside the Middle East *especially and* the Organisation of Petroleum Exporting Countries (OPEC) states generally, it says.

No let up in this trend appears imminent despite the historic low rate of additional reserves discovered for the number of exploration wells drilled.

For instance, some 480,000 exploration wells were drilled in *the U.S. during the period between* the start of the American petroleum industry and 1975, yet total proven oil reserves discovered *were less than 134bn. barrels, the* bulletin says. In contrast, the 2,000 wells drilled in the Middle East during the same period had proven reserves *of approximately* 500bn. barrels, it adds.

The rise in exploration activity *outside the* OPEC countries shows unequivocally the great extent to which the major oil consumers are willing to go to secure oil *resources in areas under their* direct control.

Nonetheless, the rate of consumption of OPEC oil in the consuming countries has been affected only marginally despite the 1973 oil price rise, the bulletin says.

Should this trend persist, the decline in the reserve-to-production ratio, OPEC and worldwide, will accelerate the end of the oil and precipitate a real energy crisis before marginal substitutes are in full production.

This need not occur if exploration activity in the OPEC countries is stepped up. The cumulative and new technologies of the consuming countries can be utilised *to this end through some new* patterns of co-operation with the national oil enterprises of the producing countries.

Such patterns should be beneficial to all the parties involved and acceptable to the oil-producing states, the bulletin adds.

* * *

For the third time in less than two months, Indonesia's state oil company, Pertamina, has offered *an area for foreign hydrocarbon* exploration and production.

A Pertanima spokesman has said that the new area is an 11,000 square km. site in the eastern part of the Java Sea and is known as the Siri Block.

The block is open for operations under existing production sharing terms the spokesman said. In February and in early *March, Pertamina offered two* onshore areas to foreign oil firms and thus far over 20 companies have responded to each of the earlier offerings.

* * *

Norcen Energy Resources announces that its Norcen International unit has acquired a 10 per cent. interest in a service contract for petroleum exploration of a 3,050 square km. area offshore the Amazon delta.

Elf Aquitaine Bresil is the operator of the venture and holds a 45 per cent. interest in the contract. Other participants are AGIP SPA of Italy with a 30 per cent. interest and Odeco Exploration, a unit of Ocean Drilling and Exploration New Orleans, with a 15 per cent. interest.

Norcen's participation in the *contract was approved by Petro*bras, the Brazilian Government-owned oil company which issued the contract. The first well is *expected to commence drilling* within the next few weeks.

MONEY MARKET

Nervous trading

Bank of England Minimum Lending Rate of 6½ per cent. (since January 6, 1978)

Trading was rather nervous in the London money market yester*day, with discount houses taking a* guarded position ahead of this week's Treasury bill tender, following speculation that a *significant rise in Bank of England* Minimum Lending Rate is possible.

Recent market sentiment has tended to dismiss an early rise in MLR as unlikely, but increased nervousness about the economy and various technical factors in the market, have pushed discount houses buying rates for three-month Treasury bills to 6-6$\frac{1}{16}$ per cent. This points towards a possible rise in MLR, although on balance any rise must still be regarded as unlikely ahead of the Budget next Tuesday.

Day-to-day credit was in good supply, and the authorities absorbed surplus funds by selling a small amount of Treasury bills to the discount houses. This was probably not enough to take out the full surplus however, possibly *reflecting the guarded attitude of* the houses and the reluctance to accept too many bills under present circumstances.

Banks brought forward surplus balances, and substantial Government disbursements exceeded revenue payments to the Exchequer. On the other hand there was a fairly large take-up of Treasury bills to finance, and a slight rise in the note circulation.

Discount houses paid up to 5¾ per cent. for secured call loans, but closing rates were in the region of 1½-2½ per cent.

Overnight money in the inter-bank market commanded 5¾-6 per cent. at the start, but rates fell to 1-2 per cent. at the close.

Rates in the table below are nominal in some cases.

Apr. 4 1978	Sterling Certificate of deposits	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ɸ	Eligible Bank Bills ɸ	Fine Trade Bills ɸ
Overnight	—	1-6	—	—	—	6	1½-5¾	—	—	—
2 days notice..	—	—	6-6⅛	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice..	—	5¾-5⅞	6⅛-6¼	—	6⅛-6⅜	6¼	5¼-5¾	—	—	—
One month	6¼-6$\frac{5}{16}$	6¼-6$\frac{7}{16}$	6¼	6⅝-6½	6⅜-6⅝	6½	5⅞-6	5⅞-5$\frac{15}{16}$	6⅛-6$\frac{3}{16}$	6¾-7
Two months	6½-6⅝	6½-6⅝	—	6¾-6½	6⅝-6⅞	—	6-6¼	5$\frac{15}{16}$	6⅜-6$\frac{7}{16}$	7
Three months	6$\frac{11}{16}$-6$\frac{13}{16}$	6$\frac{11}{16}$-6$\frac{13}{16}$	6¾-6⅞	6⅞-6½	6⅞-7⅛	7	6¼	6-6$\frac{1}{16}$	6⅝-6$\frac{11}{16}$	7-7⅛
Six months	7$\frac{3}{16}$-7¼	7$\frac{3}{16}$-7$\frac{5}{16}$	7⅜	7⅛-6⅞	7½-7¾	—	—	—	7$\frac{1}{16}$	7½
Nine months	7$\frac{11}{16}$-7¾	8-8⅛	—	8⅛-7⅞	8¼	—	—	—	—	—
One year	8$\frac{1}{16}$-8	8¼-8⅜	8⅛-8¼	8⅜-8	8½	—	—	—	—	—
Two years	—	—	9⅜-9½	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice others seven days' fixed. Long-term local authority mortgage rate nominally three years 10¾-10½ per cent.; four years 11 per cent.; five years 11¼ per cent. ɸ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 6¾ per cent.; four-month trade bills 7¼ per cent.

Approximate selling rates for one-month Treasury bills 5¾-5$\frac{13}{16}$ per cent.; two-month 5$\frac{29}{32}$ per cent.; and three-month 5$\frac{31}{32}$ per cent. Approximate selling rate for one-month bank bills 6$\frac{1}{16}$ per cent.; two-month 6¼-6$\frac{5}{16}$ per cent.; and three-month 6$\frac{9}{16}$ per cent. One-month trade bills 6¾-6¾ per cent.; two-month 6¾ per cent.; and also three-month 6¾-7 per cent.

Finance House Base Rates (published by the Finance Houses Association) 7 per cent. from April 1, 1978. Clearing Bank Deposit Rates (for small sums at seven days' notice) 3 per cent. Clearing Bank Base Rate for lending 6½ per cent. Treasury Bills: Average tender rates of discount 5.8862 per cent.

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BIDS AND DEALS

Lesney adding to industrial side

BY ANDREW TAYLOR

The industrial interests of Lesney Products, best known for its matchbox range of toys, are being expanded with the purchase of Metal Castings Doehler—the British subsidiary of N.L. Industries in the U.S.—for £2.3m.

The purchase is conditional upon the deal not being referred to the Monopolies Commission.

Lesney, which is determined to increase its activities outside the toy field, is seeking to push up the sales contribution from its industrial division from its recent levels of around 4 per cent. to 20 per cent. by 1981. It says that the MCD acquisition will lift this contribution to 15 per cent. in the current year.

The acquisition will also extend the industrial division's existing zinc diecasting business—largely for consumer electrical goods—into MCD's aluminium diecasting activities which has the motor industry as a major customer.

The group is planning to spend £2m. on modernising MCD's factory at Worcester, over the next three or four years, and capital spending on the plant may be around £0.5m. in the current year.

MCD, with net tangible assets of £2.8m. in the last balance sheet, earned pre-tax profits of £427,554 on sales of £11.65m. last year—a more recent valuation made on behalf of Lesney put MCD net assets at nearer £3.6m.

The deal is to be financed entirely from increased bank borrowings. The group's last accounts for the year ended January 30, 1977 showed that Lesney had a net cash surplus of £1.4m. Lesney's full year results for 1977/78 are expected very shortly. At the half-year pre-tax profits were £2.47m. compared with the previous first-half's £3.08m.

BENN BROS. DISPOSAL

The trade journals and directories publishing group, Benn Brothers, is negotiating the sale of its wholly owned subsidiary the Press at Coombelands to Ian Allen Group publishers and printers.

Final details have still to be agreed but the likely price will be between 5 and 15 per cent. of Benn Bros. net assets £2.33m.—which would put the price between £116,000 and £349,000. The proposals would involve some departments being closed at Press which incurred a small operating loss in the year to June 30, 1977. Its sales are less than 3 per cent. of Benn's total turnover.

BRITTAINS

Shareholders of Brittains have approved the issue of 1.5m. 9 per cent. Convertible Cumulative Redeemable Preference Shares, and the contract for the acquisition of the Wolvercote Paper Mill from Oxford University Press has been completed, with 2.3m. Ordinary shares being issued to OUP.

Equity Capital for Industry has subscribed for the remaining 1,058,700 new Preference shares and has made a £500,000 12 per cent. Convertible Secured Loan 1995 to the company on the terms described in the circular letter of March 10. As a result ECI will be entitled to 23.8 per cent. of the votes at a general meeting.

FERRANTI PURCHASE

Ferranti has acquired Rubery Owen Karritainers, a subsidiary of the Rubery Owen Group. The Karritainers operation, with a £4m. turnover in the last twelve months, manufactures materials handling equipment. Its products will be incorporated into the container handling division of Ferranti Engineering.

Ferranti believes the acquisition will create a much stronger U.K. industry more able to penetrate world markets against foreign competition from Europe, Japan and the U.S.

Combined sales of both companies total over 900 machines which constitute 50 per cent. of the world installed units. To maintain the U.K. share of the world market, Ferranti considers it essential to consolidate the U.K. industry into a single viable unit to provide the strongest possible technical, marketing, after-sales and parts support capability.

NEB SUPPORT FOR W. CANNING

W. Canning has bought all the Ordinary shares of Hird Brown, a Bolton based electronics company, and has reached agreement with the National Enterprise Board to provide long-term finance for Hird Brown's expansion. Consideration of £250,000 plus a further payment based on profit performance.

The NEB has subscribed for £250,000 9 per cent. Preference shares 1988 in Hird Brown and is providing that company with a £150,000 loan for five years. NEB has an option to convert part of its investment into not more than 29.9 per cent. of Hird Brown's Ordinary capital.

Canning considers that the acquisition will assist the group with electronic innovation within its traditional fields. Hird Brown also operates in areas which complement, or are compatible with, the Canning group's existing investments in pollution and environmental control.

Hird Brown is a private company, formed in 1959 and is the largest U.K. manufacturers of photo-electric controls. Its sales for the 12 months to May 31, 1977, were £1,842,000; pre-tax profits were £91,000 and shareholders' funds totalled £219,000.

Canning also announces the sale of its holding of 1,316,000 Ordinary shares (27.2 per cent.) of Halma. This has been placed through the market by Smith Keen Cutler with a number of institutional clients.

BODYCOTE

For £400,000 cash, Bodycote International, the Manchester-based protective clothing and textile processing group, has bought Polar Contract Motoring, a vehicle leasing company. The deal, as well as extending the interests of Bodycote's financial services division, will also provide the group with additional tax benefits, through the first year write-down allowance on motor vehicles.

Bodycote, which has been attempting to diversify away from its mainstream business, linked closely with the textile industry, already has an insurance broking subsidiary and has also recently developed property development interests.

PCM earned pre-tax profits of £129,000 in 1977. Net assets at December 31 (before providing for deferred tax) totalled £204,000.

CONTROL SALE TO ESTATES & GEN.

Control Securities, the 60 per cent. owned subsidiary of a Swiss investment trust, has sold its 50 per cent. holding in S.E.E. Developments (Bedford), to Estates and General Investments.

At the same time Control has purchased from SEED Yensen, a small housebuilding company, Ledbury Estates, an industrial estate developer, and Keldic Properties, a property company with investments in the West Midlands and Herefordshire.

The total cost to Control is £122,217. The net assets acquired are considered by its directors to be in excess of that figure.

The company has also provisionally agreed with Labofund AG and Kophta Foundation to surrender for £25,000 cash its right to participate to the extent of 20 per cent. in any profit from sale of the Exchange, Cardiff, effected before January 18, 1988, or from a revaluation if no sale takes place by that time.

Shareholders will be further informed in due course, when notices of a general meeting to seek their approval will be forwarded.

DAVY EXPANDS FURTHER IN U.S.

Davy International, the engineering and construction group has announced that its wholly-owned U.S. subsidiary, Davy International Inc., has acquired Hallanger Engineers Inc. of California for around £1.1m.

Hallanger Engineers is a private consultancy company providing engineering and construction services to a broad range of industrial clients. Davy has paid around £¾m. in cash with the balance due in about two years.

R. H. COLE

R. H. Cole has agreed to sell its holding of 50 per cent. of the capital of Dr. Beck, a specialist manufacturer of resinous electrical insulation materials, to Glasurit (G.B.) for £420,000 cash. Proceeds will be used in the development of Cole's continuing activities.

Profit before tax and extraordinary items of Dr. Beck, which £90,390 for 1976 and at that date Dr. Beck's net assets attributable to Cole amounted to £291,000. was attributable to Cole, was

P.D. WHARFAGE

The purchase of James Glover (Shoreham), and James Glover (Transport), by PD Wharfage and Transport has been completed for an undisclosed sum.

Cadbury faces U.S. probe

The United States Federal Trade Commission is looking into the proposed deal under which an American subsidiary of the big Cadbury Schweppes food and drinks group plans to take over the U.S. confectionery concern Peter Paul through an agreed $58.6m. (£31.4m.) merger.

Mr. James Forbes, finance director of Cadbury Schweppes, said in London last night: "We look on this as a routine inquiry and we will be very pleased to provide, in conjunction with Peter Paul, anything that may be required."

Peter Paul yesterday stated that the Federal Trade Commission had started investigating the proposed merger. The Commission had asked for certain information about operations after the merger and was likely to seek further details shortly.

Peter Paul said it had no further information about the investigation or what action, if any, the Commission might take.

Following the announcement of the agreed deal on February 21, documents were earlier submitted to the Commission in the usual way.

JOKAI TALKING WITH LONGBOURNE

Jokai Tea Holdings and Longbourne Holdings, two members of the controversial Camellia Investments grouping, have started merger talks.

If the proposed scheme of arrangement goes through, it will be the end of a long history of crossholdings between the two companies. In July, 1975, Jokai's stake in Longbourne was just under 30 per cent. and since then it has gone to 30.4 per cent. Meanwhile, Longbourne's stake in Jokai reached 15 per cent. in October, 1976 and by September, 1977 got up to 23 per cent.

Jorehaut Holdings, another company in the group, was credited with a 36 per cent. stake in Longbourne at the last count in December, 1977.

Jokai and Longbourne recently invested in an outpost of another plantations empire, that of Harrisons and Crosfield. Each bought a 5.1 per cent. stake in Sogomana which is 42.8 per cent.-owned by H and C group companies.

CREST BUYS FROM QUALITY INNS

Crest Hotels, a subsidiary of Bass Charrington, is to take over a 200 room facility at Ratingen, Germany from the U.S. group Quality Inns. Quality said that it had decided to accept Crest's offer as a result of the effect of currency swings on its German earnings.

Mr. Joseph W. Macarthy said that strength of the Deutschemark against the Dollar had cost the group "paper losses" of more than £½m. over the past two years. Terms of the deal were not disclosed.

Crest already has interests in Europe—including Germany—under its EuroCrest banner and generates a large slice of its trade providing conference and other facilities for businessmen.

GOUGH/ELLIS

Gough Brothers announces that acceptances have now been received in respect of more than 90.3 per cent. of the shares in Ellis and Co. (Richmond) for which the offer was made. The offer became unconditional on March 23 as all the conditions attaching to it were fulfilled. The Directors intend to compulsorily acquire the outstanding shares in Ellis in due course.

TEBBITT TO BUY TIGER COMPANIES

Tebbitt Group has conditionally agreed to acquire the capital of Tape Projects and Self-Seal Tape from Tiger Securities. An initial consideration for both companies of £150,000 will be followed by a delayed payment, not exceeding £100,000, geared to the pre-tax profits earned by the two companies in 1978.

Both payments will be satisfied by the issue of Tebbitt Ordinary shares. After completion, and after the issue of the initial consideration shares, Tiger will hold about 15 per cent. of the equity of Tebbitt.

To provide any additional working capital required, the Board of Tebbitt has decided to offer, by way of Rights to members on the basis of £1 of loan stock for every 25 shares held, £240,000 of 15 per cent. Conv. Unsecured Loan Stock 1983, which will be convertible in 1979 at 15p, 1980 at 17½p and in 1981 at 20p.

Tape began trading in August 1977 and for five month period to December 31, 1977, it showed a loss of £682, after paying management charges of £21,000 to Tiger. For 1977 Seal made a net loss before tax of £34,100.

Net tangible assets of Tape as at the end of 1977 amounted to £127,101 and for Seal to £10,690.

Following completion Mr. Robert Knight, chairman of Tiger and chairman of George Sturla and Son since last November, will be made a director of Tebbitt. He will work on a part-time basis with a view to co-ordinating and developing the activities of the group.

TROLLOPE & COLLS EXPANDS

Trollope and Colls Holdings has acquired the capital of W. J. Simms Sons and Cooke (Northern).

Simms, based in Nottingham, is involved in general contracting activities principally in the Midlands and the North of England. Simms is also currently working for the National Coal Board on an open-cast mining contract.

It is intended that Simms should continue to trade as a separate entity following its acquisition by Trollope and to provide continuing employment prospects for its existing work force.

BLACKWOOD MORTON

Blackwood Morton and Sons (Holdings) announces that agreement has been reached by its Canadian subsidiary, Blackwood Morton and Sons (Canada) for the sale of its land, buildings, machinery and other equipment and certain stocks of materials, subject to the purchasers obtaining the necessary finance.

The purchasers intend to continue the manufacture of carpets and it is anticipated that employment will be provided for all or most of the group's workforce in Canada.

S. & W. BERISFORD

S. and W. Berisford, the British based international commodity trader, has acquired Jarmain and Son Management, the wool cleaning group, for £1.2m. Of this £435,489 has been satisfied by cash and the remainder provided by the issue of 782,334 Berisford Ordinary shares.

GLOBE/PHOENIX

Discussions between Globe and Phoenix Gold Mining Company and Phoenix Prince Gold Mining in connection with an offer for Phoenix Prince are still continuing and this has caused a delay in sending an offer document to shareholders.

BROCKS ALARMS

Automated Security (Holdings) has completed the acquisition of Brocks Alarms and other associated companies in accordance with the circular sent to members on January 5, 1978.

GRINDLAY BRANDTS

Grindlay Brandts, a subsidiary of Grindlays Bank, has sold its shareholding in A. L. Sturge (Holdings) which will result in the present working shareholders owning 100 per cent. of the latter company. Their representative, Mr. D. E. Meekins, has resigned from the Board.

SHARE STAKES

Talbex Group—P. R. Gymer, director, has sold 25,909 shares.

Bambergers—Pearl Assurance holds 485,000 shares (5.017 per cent.).

Burma Mines—Davis Investments (Jersey) holding is 3.17m. shares (23.41 per cent.)—previously 3m. shares.

Dorada Holdings—River Plate and General Investment Trust increased its holding to 250,000 shares (6.05 per cent.).

Fraser Ansbacher — J. M. Button, director, has disposed of 400,000 shares leaving holding 35,000.

Johnson Matthey—Johannesburg Consolidated Investment holds 3,830,200 shares and Prudential Assurance 855,227 (both over 5 per cent.).

David Dixon and Son Holdings—H. Turpin, director, has acquired 3,000 shares making total 137,500 (9.46 per cent.).

Gibbons Dudley—Pearl Assurance holds 5.011 per cent. of shares.

Liden Holdings — Prudential Assurance now states that the 51,950 shares reported to have been sold are in fact on loan to the market and Prudential retains its beneficial interest. Prudential's holding is unaltered at 442,000 shares.

Braby Leslie—British Empire Securities and General Trust holds 14,919 of 5.6 per cent. Preference shares.

Home Counties Newspapers—County Newspapers has disposed of 10,000 shares reducing interest to 1,437,000 (57.48 per cent.).

Ratners (Jewellers)—H. Samuel has bought 100,000 shares making total 2,365,000 (19.708 per cent.).

Tern Consulate—Mr. R. Lawson, director, has acquired 53,000 shares making total 237,100 (16.94 per cent.). Shares acquired as a result of winding up a discretionary trust.

Avana Group—Sir Julian Hodge has bought 125,000 shares.

Cautious optimism at Lex as business share grows

NOT ONLY is Lex Service Group benefiting from the economy but it is also tending to do better in its share of business and the directors are cautiously optimistic, Mr. Trevor Chinn, the chairman, said yesterday.

Any increase in consumer spending is likely to have a major impact on the passenger car market which is already running well ahead of last year. Volvo registrations, for example, for the first two months of the current year are at their highest ever level for that period, Mr. Chinn says in his annual statement.

The company's transportation activities would also benefit from an increase in the volume of retail sales and an upturn in industrial output and in industrial investment would directly benefit its commercial vehicle and fork lift truck businesses, he comments.

The London hotel market remains buoyant although tourism in the de-luxe sector may not reach the peaks of 1977. The company's airport hotels, The Heathrow and The Gatwick Park Hotel, which will be opened during the summer, should gain from the forecast increase in traffic flying in and out of London's airports.

Although there is now some slackening in the growth of the U.S. economy each of the company's hotels there expect to show improved profits, particularly those in Chicago and Houston which are still improving from a low base.

In the year to January 1, 1978, the company's hotel interest made a significant contribution to profit for the first time, with all six hotels trading profitably for the full 12 months.

On group sales up from £251.5m. to £299.6m. taxable profit for 1977-78 climbed to a record £12.48m. (£7.84m.)—as reported on March 10. The net total dividend is raised to 3.465p (2.9248p) per 25p share on capital increased by a rights issue.

On a current cost basis along the Hyde guidelines, profit was £9m. after additional depreciation of £3.7m. and, extra cost of sales of £3.3m. and including a gearing adjustment of £3.5m.

At year end working capital was up £6.04m. (£899,000). Bank overdrafts were lower at £523,000 (£1.57m.), short-term debt was £302,000 (£109,000) and long- and medium-term debt was down at £44.3m. (£48.35m.).

Capital commitments amounted to £4.31m. (£3.89m.) of which £774,000 (£384,000) had been authorised but not contracted.

An analysis of sales and profit by activity shows, with £000s omitted, passenger car distribution and servicing £185,602 (£159,446) and £10,385 (£8,552); commercial vehicle distribution and servicing £48,827 (£39,019) and £866 (£724); transportation, freight handling and vehicle leasing £21,883 (£14,239) and £1,991 (£1,647); fork lift truck and crane hire £14,145 (£9,862) and £2,939 (£1,990); U.K. hotels £11,176 (£9,084) and £2,886 (£1,746); overseas hotels £12,973 (£13,441) and £629 (£46); other £4,978 (£6,376) and £163 (£110); and surplus from property £146 (£124). Less net interest of £6,004 (£6,417) and group overheads £1,518 (£687).

GREENFIELD MILLETTS

Mr. Richard I. Greenfield, chairman of Greenfield Milletts, the leisurewear and camping group, told shareholders at the AGM that current first half figures should match those of a year ago—"when trade was quite exceptional." He said that the group looked forward to greater second half growth and he was confident of good full year results.

The group is expected to announce shortly details of new branches under its previously announced £1m. capital expansion programme.

Appleyard on target at £1.47m.

IN LINE with the forecast in February pre-tax profits of Appleyard Group for 1977 rose slightly from £1.37m. to £1.47m., on turnover of £89.66m. against £77.34m., despite a second half downturn from £0.64m. to £0.52m. At the halfway stage directors were confident that the full year's profits would be at record levels.

The directors now say that the current year has started well with the group's British Leyland car sales rising each month and the three recently acquired Ford main dealerships making a very useful contribution to the overall profit.

Over 55 per cent. of total group profit is now coming from Rolls-Royce, Ford, commercial vehicles, agricultural engineering, budget rent-a-car, fuel oil distribution, credit finance, and contract hire. The balance is from the sale and service of British Leyland cars, they add.

After full provision for deferred tax, earnings per 25p share are shown as 12.49p (11.6p). As known, the dividend for the year is increased to 4.914p (4.44p) net per share with a second interim of 3.289p. The directors say that in the light of budgets for the current year they intend to recommend a total of 6.25p for 1978.

Henderson-Kenton extends discount scheme

Furniture retailers Henderson-Kenton has decided to extend the scheme under which shareholders are entitled to a 10 per cent. discount on purcases to the unitholders of trusts which have a substantial stake in the company.

For a trial period of one year, unitholders in trusts which have at least 20,000 of Henderson-Kenton's shares will be allowed a 10 per cent. discount on items not already reduced in the company's stores, which trade under the name Kentons in England and Hendersons in Scotland.

Chairman Mr. David Hyman said yesterday that relatively few shareholders had taken advantage of the discount scheme, which was made available to individuals with more than 100 shares at the end of 1976. In extending the scheme the company had in part been influenced, he said, by the fact that the company's dividend payments are several times covered by profits, and while the Board would like to recommend that they should be doubled, they are inhibited by dividend control from doing so.

A customer who wishes to take advantage of the discount will have to present his original unit certificate to Henderson-Kenton at the time of purchase, or authorise the company to apply to his unit trust for written verification of his holding within two weeks of an order being placed in the store.

Advance at Harrison & Sons

TAXABLE PROFIT of Harrison and Sons, the printing group, advanced from £106,000 to £303,000 for 1977, after a higher midway surplus of £130,000 against £2,000.

Full-year turnover expanded from £15.63m. to £17.66m., of which exports increased to nearly £3.25m.

The directors say they are determined to strengthen the group's position and expect to maintain the advance now reported.

After tax of £59,000 (£55,000), minorities and Preference dividends, stated earnings jumped from 1.75p to 10.24p per 25p share. A final dividend of 2.709p raises the total to 4.196p (3.757p) net.

	1977 £000	1976 £000
Turnover	17,658	15,625
Trading profit	831	689
Interest	528	583
Pre-tax profit	303	106
Tax*	59	55
Net profit	214	51
Extra-ord. credit	3	†653
Minorities	2	2
Dividends	105	95
To reserves	140	‡699

*Adjusted for ED19. †Debit. ‡From reserves.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

NORTH AMERICAN NEWS

Pabst expecting sharp decline in first quarter

MADISON, April 4.

TREASURER of Pabst Brewing Mr. Jay B. Pieper testified in a hearing for the Wisconsin Commissioner of Securities that Pabst net earnings for the first quarter of 1978 were estimated to be approximately $1.9m. or 22 cents a share, compared with net earnings of $6.8m. or 80 cents a share for the similar period of 1977.

The estimate was made at a hearing on APL Corporation's proposed takeover of Pabst through purchase of 52 per cent. of the brewer's stock .

Mr. Pieper did not explain the sharp drop in estimated first quarter earnings, though a number of factors have been suggested as being responsible for the steep decline. The year ago quarter was "exceptionally good," in part reflecting some buying in anticipation of a strike. Also labour and materials costs have been rising faster than selling prices.

Mr. Pieper told the state's Security Commissioner that Pabst has obtained short-term lines of credit but that a larger amount of long-term loans would be needed to keep the company financially healthy. He added that such financing would be difficult to obtain if APL gains control of the company.

At the end of March Pabst had $7m. of cash on hand, down from $38.5m. a year earlier, Mr. Pieper said. He noted that lines of credit for $5m. each had been obtained from the Marine National Exchange Bank of Milwaukee, the First National Bank of Chicago and Manufacturers Hanover Trust of New York.

The Marine Bank credit was made available on the condition that Pabst's management would not be changed.

Mr. Arthur Lindenauer, of the auditing firm Price Waterhouse, told the commissioner that if APL issued the debentures necessary to gain control of Pabst, APL would not have enough money to pay the interest on the debt. APL proposes to offer $26 principal amount of 10 per cent. subordinated debentures plus $2 in cash for each Pabst share up to 4.1m. shares.

AP-DJ

Brokers back Litton shares

BY TERRY BYLAND

SIGNIFICANT long term attractions are seen in the shares of Litton Industries by two major Wall Street stockbrokers. Both Merrill Lynch and Dean Witter have examined the prospects for the outcome of Litton's unsettled claims on Naval shipbuilding contracts by its subsidiary Ingalls Shipbuilding, which is currently seeking an adjustment of 1.1bn. to contract ceiling prices in a long standing dispute about repricing an amphibious assault vehicles (LHA) and destroyers.

Merrill accepts that the contracts may remain unsettled and could result in a substantial one-time write off. But the stockbroker believes that such a settlement would ultimately benefit Litton by improving cash flow at Ingalls, eliminating litigation costs and by removing what it describes as a "substantial negative" overhanging the stock.

Dean Witter sees a strong likelihood of an out of court settlement of the company's claims, within the "relatively near future."

On the basis of its survey of Litton's outlook, Merrill forecasts earnings for 1978 of $1.70 a share, with $2.00 to $2.25 a share in prospect next year.

However, since the claims on the Naval contracts remain unresolved at present, Merrill goes no further for the present than to predict that the shares will "perform about in line with the overall market."

For 1977, Litton disclosed earnings of $1.40 a share on a sales of $3.44bn.

Merrill expects its forecast for 1978 to be borne out by return to profitability at Sweda, the principal business systems and equipment group and by earnings gains at Western Geophysical, which operates in the field of professional services and equipment for the gas and oil exploration industries.

The defence, commercial and marine systems division, which incorporates Ingalls and in 1977 turned in around $1.2bn. out of $3.4bn. total revenues, has seen many refinements in operations recently, and Merrill expects this process to continue. The firm expects Litton to withdraw from its more cyclical operations in this division, or to counterbalance such cyclical areas by adding product areas with greater potential for growth—while at the same time possibly withdrawing from unprofitable areas.

Merrill's review ends with the comment that Teledyne, owner of some 26 per cent. of Litton's outstanding stock, has indicated that the shares are an investment.

Standard Oil confident of growth

NEW YORK, April 4.

STANDARD OIL (Indiana) is confident it can maintain past earnings growth and rate of return, chairman Mr. John E. Swearingen said to-day. Since 1960 earnings have increased at an annual compound rate of 12 per cent.

Higher prices expected for oil and gas in the future will help sustain growth in profits, Mr. Swearingen declared. "Inflation of costs will be a factor, but on the whole we believe higher prices will bring our company higher earnings."

The company's current objectives are a 13 to 15 per cent. return on equity and the payment of 35 to 40 per cent. of earnings in dividends. In 1977 the company earned $1.01bn. or $6.90 a share—up 14 per cent. on the previous year.

Capital spending in 1978 will total $2.3bn. compared with $1.9bn. last year, of which $1.1bn. will be spent on exploration and development in the U.S. compared with $780m. previously, the chairman added.

U.S. development spending will be concentrated in the Williston basin, North Dakota, and the Michigan basin, together with the Appalachians, where the company recently made a significant gas discovery.

Goodrich in deal with Portuguese

R. F. Goodrich has signed a technical assistance agreement with Sabrica de Pneus Fapobol Sarl of Portugal, reports AP-DJ from Akron. Goodrich will supply technology and production advice on all Fapobol products including bias-ply and radial tyres. Fapobol will distribute Goodrich tyres in Portugal.

STP—Esmark

STP and Esmark have received letters from the U.S. Justice Department's Anti-Trust division requesting information concerning their previously-announced merger agreement, reports Reuter. The two companies last month agreed on a merger under which STP would become an Esmark unit. Esmark said it would pay $22.50 for each of STP's 5.2m. shares.

Banking purchase

The Permanent, which is the parent company of Canada Permanent Trust and of Canada Permanent Mortgage, has completed its purchase, for £210,000, of control of its banking subsidiary in the U.K., Canada Permanent AFI—now to be called Canada Permanent Trust (U.K.), writes Terry Byland. Permanent already held over 30 per cent. of the subsidiary, and agreed earlier this year to take up the option on a further 20 per cent. stake then held by AFI Group.

Southern slides

Southern Company the Atlanta-based utility concern reports a 24 per cent. fall in pre-tax earnings for the first two months of 1978 to $35.4m. or 26 cents a share compared with the like period last year. For the full year however the company managed a 10 per cent. rise in profit at $1.86 a share against $1.77 on sales 17 per cent. ahead at $2.7bn., AP-DJ reports from Atlanta.

Jewel—Skaggs

Jewel Companies, the Chicago-based food retailer has reached an agreement in principle with Skaggs Companies, a Salt Lake City-based operator of drug stores for a combination of the companies on a tax-free basis, AP-DJ reports. Skaggs' stockholders would receive one share of a new company to be called Jewel Companies Inc. for each share of Skaggs.

Midwest Exchange to report heavy losses on operations

CHICAGO, April 4

The Midwest Stock Exchange, second in the U.S. to the New York Stock Exchange last year with a trading volume of $8.9bn. expects to report a large loss for 1977 and is laying off some 300 of its 750 employees. The price of a seat on the exchange has fallen to $175, from $80,000 in the late 1960s.

Last December, Mr. Michael E. Tobin, under pressure from the membership, resigned as the Midwest's president.

While opinions vary regarding the Midwests' plight a senior partner in a Chicago brokerage house and former chairman of the exchange says: "I think there is a strong possibility that the Midwest won't be around in 10 years."

The Midwest and the six other active U.S. stock exchanges—the New York, American, Pacific, Philadelphia, Boston and Cincinnati—face an uncertain future as a result of recent government moves to restructure the securities industry, particularly in the planned creation of a central, or national, securities market. This would permit all investors and their brokers to execute transactions in whatever market offers the best price for a particular security. A number of the regional, or non-New York, stock exchanges could fold in the new competitive environment, and even the New York exchanges—the New York Stock Exchange, or "Big Board," and the American Stock Exchange, or Amex—threatened by the prospect automated trading that could conceivably make the exchange floors superfluous.

Many of the Midwest's wo[es], critics say, arise from seve[ral] costly blunders. The biggest, [they] say, was the Midwest's slown[ess] in offering listed stock opti[ons] which have proved a bona[nza] for some other exchanges.

Exacerbating the problems [has] been the catastrophic reduct[ion] in the Commission income of Midwest's membership since [the] Securities and Exchange Comm[is]sion in 1975 forced the securi[ties] industry to end fixed broker[age] commissions, letting each firm [set] its own fees. The ensuing w[ave] of brokerage-house failures [and] mergers has cost the Midwest patronage for its various servi[ces].

The Midwest's volume is [s]puny compared with that of [the] New York Stock Exchange. [In] recent years, the Midwest accounted for only about 4 [per] cent. of the total share volu[me] in list stocks while the [Big] Board's share has remained 85 to 90 per cent.

Instead of being a saviour, [the] Midwest exchange's options [pro]gramme has proved to be [a] nightmare. By the time [the] Midwest started trading opti[ons] in late 1976, the CBOE, Am[ex], Philadelphia and Pacific picked off most of the attrac[tive] option names.

AP-DJ

Beker accounts queried

BY JOHN WYLES

NEW YORK, April 4

BECKER INDUSTRIES' auditor, Arthur Andersen and Co., has questioned the carrying value of virtually all of the company's assets in the United States, West Germany and Italy.

This qualified opinion on the company's 1977 financial statement was revealed by Beker yesterday that the same time as it reported a net loss for the 1977 fourth quarter of $31.3m., compared to a $4.6m. deficit in the previous year's fourth quarter.

The chemical and fertilisers manufacturer also said it was doubtful that it would be able to meet revolving credit and term loan payments due to a group of eight banks later year.

Arthur Andersen's quali[fica]tion of the company's acco[unts] also asserted that the compa[ny's] operations "will be significa[ntly] affected by the company's ab[ility] to refinance its debt and to m[eet] required loan repayments f[rom] continuing operations, joint [ven]tures and asset disposition."

Beker, which has not discl[osed] the book value of the as[sets] questioned by the auditors, [re]peated that it had violated [cer]tain covenants of both its [U.S.] and German loans. Its cur[rent] debt in the U.S. total $12[...] and $10.7m. in Germany. [...] $98.9m. of long-term debt [has] been reclassified as current.

Coal strike cuts Chessie

CLEVELAND, April 4.

CHESSIE System, the railway holding company reports a first quarter net loss of $66.9m., up from the year-ago figure of $7.4m. Revenue for the latest period was $255m. against $315m.

Chairman Mr. Hays T. Watkins blames the coal strike and the tough winter, saying that if it had not been for these factors, the company would have had a profitable first quarter.

AP-DJ

Corning Glass earnings slip

NEW YORK, April [4].

CONSOLIDATED net incom[e] [of] Corning Glass Works for [the] first quarter slipped from $[...] to $22m., or from $1.36 to $[...] per share. Mr. Amory Hough[ton] Jnr., chairman, said that [the] first quarter shortfall occu[rred] during the first four week[s of] the quarter. Business rebou[nded] strongly in the last eight w[eeks], he said. Sales for the qua[rter] rose from $269.4m. to $27[...]

AP-DJ

EUROBONDS

Big discount for Mexico

BY MARY CAMPBELL

BOTH dollar and D-Mark sectors were quiet yesterday. The DM250m. issue for the United Mexican States was quoted at a discount of 2-2½ points in first time trading. This is large by the standards of the D-Mark foreign bond market, as in other markets, but was generally expected by the market because of the tightness of the terms.

In the sterling sector, prices were also more or less unchanged. Interest to-day will focus on the Gestetner deal, which is expected to trade for the first time.

In the yen bond market, interest has been stirred by the fact that the American company Sears Roebuck is considering issuing yen bonds via Nomura Securities. If it materialised, it would be the first such issue by a foreign company.

It seems that no final decision has been taken by the company, but that there is no legal bar to such a move.

The possibility of a Japanese yen issue for a foreign corporate borrower has been eased by an an April 1 change in Japanese tax rules.

Japanese securities sources said yesterday that there is not even a legal requirement for companies to collateralise bond issues—that a simple negative pledge putting the securities on the same rank with already outstanding debt would satisfy Japanese regulations.

However, they noted that it has been customary in Japan for Japanese companies to provide collateral for their bond issues, and that the absence of such collateral might reduce demand for bonds.

The next Swiss foreign bond issue will be for the Liechtenstein-based company Hilti. It will be for Sw.Frs.25m.

DUTCH NEWS

ABN increases earnings by 14%

BY CHARLES BATCHELOR

AMSTERDAM, April 4.

ALGEMENE BANK Nederland (ABN), Holland's largest banking group, faces problems in covering costs on its commission business. This means the bank is increasingly dependent on interest income for its profits, managing Board chairman Dr. Andre Batenburg, said at the presentation of the annual report.

This makes the bank particularly sensitive to small changes in the margin between rates on borrowed and lent funds. The interest margin in 1977 was just less than 0.1 per cent. lower than the 1976 level but this affected the net result substantially.

The bank is unable to adjust its commission rates to meet rising costs, particularly in certain of its securities business and payments traffic. This was partly due to controls by the authorities on the level of commissions and lead to some parts of ABN's business subsidising others.

The bank - nevertheless reported a 14.4 per cent. increase in net profit to Fl.234m. ($110m.) in 1977 on a balance sheet total which was 13.8 per cent. higher at Fl.63.6bn. This growth came in equal measure from its foreign, domestic and eurocurrency business.

Credit volume rose 17.8 per cent. to Fls.34.2bn. The largest percentage increase came from the 42 per cent. growth in mortgage lending to a total of Fls.3.7bn. Total credits granted to private clients—mortgage loans and consumer credits—amounted to almost 27 per cent. of the domestic credit portfolio.

Priavte customer lending has grown strongly in recent years, Dr. Batenburg noted. Credits to Dutch business rose 15 per cent., compared with 17 per cent. in 1976, reflecting the hesitant growth of the economy.

ABN, which has the most extensive foreign network of any Dutch bank, attributed about a third of its 1977 result to its foreign branches and affiliates. This was a slight decline on the 1976 share and partly reflects the strength of the guilder against the dollar and other currencies. Including Eurocurrency business and foreign business carried out from Holland, the foreign share of earnings is nearer 50 per cent.

Reflecting the sluggishness of the economy in Holland and abroad, Dr. Batenburg said ABN had turned down the opportunity to be manager or co-manager of several Eurocurrency loans in view of the unacceptably low margins being set for some new borrowers.

The bank is also reaching the limits of its credit lines to a growing number of business clients in view of their weak financial position. It has also gone beyond reasonable limits in lending to Dutch construction companies with sizeable Middle East orders with the help of agreements with the Dutch credit insurance bank.

Austrian bank pays more after good year

BY PAUL LENDVAI

VIENNA, April 4.

THE CENTRAL institute of Austrian credit co-operatives, Genossenschaftliche Zentralbank (GZB) is increasing its dividends from 8 per cent. to 10 per cent. for 1977 on the basic capital of Sch.500m. ($35.7m.). Paid up capital was raised to Sch.600m. in December and a further rise to Sch.800m. was announced in March.

Presenting the results for 1977, director general Dr. Helmut Klauhs said that in its fiftieth business year there was a 19.6 per cent. rise in the consolidated balance sheet to Sch.52bn. Taking the group as a whole, including the Raiffeisen-building society, insurance, leasing, etc. companies, total assets rose by 20.9 per cent. to Sch.72.7bn. last year.

The group also included the small merchant bank, Bankhaus Kathrein which reported a jump of 32 per cent. in its balance sheet to Sch.2.8bn.

Last year was good for business, Dr. Klauhs stressed. Portfolio investments and foreign business were the bright spots.

Net interest income was Sch.517m. against Sch.353m., while the intake from commissions was Sch.55.6m (Sch.58.2m.). After taxes of Sch.80m. (Sch.25.6m.) and allocation to statutory reserves totalling Sch.51.7m. (against Sch.25.7m.), net income jumped by 59 per cent. to Sch.64.4m.

Foreign business at the end of last year accounted for about one-fifth of the balance sheet and contributed 18 per cent. of profits before tax, the director general revealed

He also referred to the success of Dm.100m. and $40m. bond issues floated by GZB on the Euromarket. The bank participated in 190 foreign Eurocurrency loan syndicates.

Deutsche Bank DM9 dividend

By Guy Hawtin

FRANKFURT, April 4.

DEUTSCHE Bank, West Germany's largest commercial bank, to-day announced that it is recommending a dividend of DM9 per DM50 nominal share for 1977.

Although the cash payout is down on last year's DM10 shareholders who pay federal income tax will receive an increase in real earnings as a result of the recent corporation tax reform.

In addition to the cash dividend, they will receive a coupon, allowing them to set off corporation tax paid on their dividend against personal taxes, worth DM14.06.

News of the dividend follows a substantial rise in the bank's profit. The full year's figures will not be announced until next week, but in December the bank's executive Board announced that it expected earnings for the year to be up by a fifth.

The bank plans to pay DM110m. into published reserves, compared to DM100m. a year ago. Total capital resources will be raised to DM3.45bn. ($1.73bn.) from DM3.1bn.

East Asiatic in South Africa

BY HILARY BARNES

COPENHAGEN, April 4.

THE East Asiatic Company, the major Danish trading and industrial company, will not reduce its investments in its subsidiaries in South Africa, Mr. Mogens Pagh, the chairman, told the annual meeting of shareholders.

This was the company's reaction to an action programme adopted by the Nordic Foreign Ministers in February, which called on Nordic companies to cut back on investments in South Africa.

"In our view, which is shared by important leaders of the black majority in South Africa, the foreign companies setting a good example can contribute to a positive development," said Mr. Pagh.

He also said that to withdraw from South Africa would be letting down the company's employees, and that reduced investment would only make East Asiatic companies uneconomic and open the field for competitors.

On the other hand, he said that East Asiatic has no plans to make new investments in South Africa. The company has forestry, vegetable oil and soap interests there, in addition to trading interests.

Alfa-Laval orders rise

BY JOHN WALKER

STOCKHOLM, April 4.

ALFA-LAVAL, the Swedish dairy, farm equipment and industrial separator group, reports in its revised preliminary statement for 1977 that orders received by the group from outside customers amounted to Kr.4.4bn., 19 per cent. up over the corresponding period in 1976.

The backlog of orders at the end of the year at Kr.2.3bn. was 9 per cent. higher than at the corresponding period a year earlier. Invoiced sales for the group increased by 12 per cent. to Kr.4.2bn.

Orders received by the parent company amounted to Kr.1.4bn., or 11 per cent. higher than in 1976, and the backlog of orders at the end of 1977 amounted to Kr.1.1bn., 8 per cent. higher than at the beginning of the year. Invoiced sales increased by 5 per cent. to Kr.1.3bn.

The dividend is to remain unchanged at Kr.5 per share.

The report does not foresee any improvement in the economic trend. The investment trend is still weak, and in most sector where Alfa-Laval customers are to be found. the current forecast is that the 1978 result will be lower than that of 1977.

Fitzwilton back in profit

By Giles Merritt

DUBLIN, April 4.

FITZWILTON, the Irish conglomerate that in 1976 was forced to undergo a major divestment programme, returned to profitability in the six month period ended December 31, 1977. In its interim report, Fitzwilton anticipates that in the second half of the year ending June 30, net earnings will show a further increase.

The group's after tax earnings of £322,000 (some $600,000) for the first half compare with a loss of £331,000 in the same period in 1976, and 12-month losses that by June 30, 1977 totalled just over £1m.

The interim dividend is being raised from 1.5395p gross per share to 2.3077p gross, which because of a higher tax charge means that the net dividend is maintained at 1.5p per share.

Lindt expanding overseas

BY OUR OWN CORRESPONDENT

ZURICH, April 4.

THE SWISS chocolate concern Lindt and Spruengli foresees better growth opportunities abroad than on the domestic market. This was stated at a Press conference in Kilchberg of parent company Chocoladefabriken Lindt and Spruengli AG. While sales volume on the home market improved last year, interesting growth rates "were no longer anticipated in Switzerland."

Lindt and Spruengli operations abroad will initially be expanded within the framework of existing group facilities, according to marketing director Dr. Emil E. Jaeggi. Apart from exports by the parent undertaking—which last year rose much faster than home sales despite recessionary international trends and the appreciation of the Swiss franc—the company has licensees in Germany, Italy and France and in 1977 acquired a 65 per cent. stake in the French chocolate manufacturer consortium Francais de Confiserie (CFC).

At present no actual shifting of production activity was planned from Switzerland to another country. However, it might be "necessary to look into this question" if the currency situation and the shortage of suitable labour continued unchanged for the parent firm.

Saudi takes 10% holding in French builder

By David White

PARIS, April 4.

SAUDI Arabian businessman, Mr. Akram Ojjeh, the man who bought the luxury liner France, has expanded his French interests by buying into an important civil engineering company, Dumez, in a deal worth about Frs.65m., some $14.5m.

The Nanterre-based company, which is active in dam-building and other projects in Africa and the Middle East as well as in France, said Mr. Ojjeh's company, Technique d'Avant-Garde (TAG), had bought 10 per cent. of its shares on the Paris Bourse.

The deal is linked to a protocol agreement under which TAG, which is registered in Luxembourg, and Dumez will set up a joint civil engineering company in Saudi Arabia. No further details of the proposed company were disclosed, except that it will have a Saudi majority.

Dumez, which is largely family-owned, had a group turnover of Frs.3.7bn. last year, a company spokesman said.

Mr. Ojjeh, who bought the France last October for Frs.80m. with a view to turning the former pride and joy of the French passenger fleet into a tourist centre, was recently reported to be taking a 20 per cent. stake in Lignes Telephoniques et Telegraphiques (LTT), a specialised telephone cable company in which the largest interest is held by the Thomson-Brandt group.

The French-based businessman's other interests have tended towards the transport field. Mr. Ojjeh has a 44 per cent. stake in a small domestic airline, Air Alpes, and shares in other regional air companies.

Credit Suisse prepares to sue over Chiasso affair

BY JOHN WICKS

ZURICH, April 4.

A SERIES of civil suits is being prepared by Credit Suisse against persons seen as responsible for the irregularities disclosed last year at the bank's Chiasso branch.

Speaking at the bank's annual general meeting in Zurich today, chairman Dr. Oswald Aeppli said damages will be claimed against two former members of the Chiasso branch management and three Chiasso lawyers as former officials of Texon. He said that present evidence showed these persons to be "initiators and main actors in the affair."

The irregularities disclosed last April at the bank's Chiasso branch involved some S.Frs. 2.17bn. ($1.18bn.) of clients' funds which had been improperly directed to the Liechtenstein company Texon-Finanzanstalt. They eventually led to write-offs of S.Frs.1.2bn. ($650m.) in the 1977 accounts of Credit Suisse.

The bank will also sue a group of persons present at a meeting of the entire Chiasso management in early 1975 which at the time—roughly two years before the Chiasso scandal was disclosed—decided not to inform head office of irregularities.

Dr. Aeppli said that these others were generally not active participants in the transactions concerned, but had known that the general management was ignorant of the existence of unbooked guarantees. With one exception, the entire branch management has already been replaced.

The $115m. issue in convertible bonds planned by Credit Suisse will carry a coupon of 3¾ per cent. The 15 year bonds will be offered to shareholders by way of rights on a one for eight basis, and every two bonds will be convertible into one share.

All responsible persons were, Dr. Aeppli claimed, to some degree financially interested in the Texon transactions. Over a period of years they had drawn fees, expenses and other sums from Texon, or emoluments from Texon subsidiaries, without these "in part substantial amounts" having been reported to head office.

The persons will be sued in keeping with their financial potential, the damages amounting to only a very small share of the losses involved. Dr. Aeppli told shareholders that total losses could not be determined until divestment of Texon assets. These currently stand at Sw.Frs.977m. in the Credit Suisse accounts.

The suits will take some time to come to court, evidence depending upon documentation needed for the criminal proceedings. These will probably not be staged until next year. Credit Suisse has applied to the Appeal Court of Canton Ticino for permission to see this documentation.

Apart from the Chiasso case, Credit Suisse is to bring civil proceedings against former deputy managing director Sergio Demieville. These will concern Demieville's "massive exceeding of his authority" in connection with the Italian milling company, Molini Certosa.

Dr. Aeppli stressed that Credit Suisse's equity was intact despite the Chiasso affair, and the bank's profitability unbroken. The write-offs were made up about one-third by the liquidation of unpublished reserves, one-third by the revaluation of securities, participations and real estate, and one-third by the sale of securities and participations.

Turkish plants feel cash pinch

BY METIN MUNIR

ANKARA, April 4.

BMC Industry and Trading Company of Turkey has just resumed manufacturing after stopping all assembly line operations at its automotive plant in Izmir three months ago through lack of hard currency to import spare parts.

A six-month acceptance credit extended by British Leyland will enable BMC to operate at 30-40 per cent. capacity for four to five months, the company said.

BMC, which is 26 per cent. owned by Leyland, had gradually stopped its three assembly lines from September and laid off about 750 workers. The company could not obtain spare parts because of a continuing critical shortage of foreign reserves. The last assembly line was halted in November.

The BMC plant manufactures lorries, minibuses and agricultural tractors and has an annual capacity of 15,000 vehicles.

Similar difficulties are being experienced by another automotive company, Tofas, a partnership between Italy's Fiat and several Turkish concerns, including MKEK and the Koc group.

Tofas, starved for spare parts and unable to have $25m. it owes to Fiat transferred to Italy, was forced to bring forward the summer recess and shut down its plant in Bursa. The directors are hoping for a period of grace during which they can find foreign currency.

ANI and Comeng reach Bradken compromise

BY JAMES FORTH

SYDNEY, April 4.

THE ENGINEERING group Australian National Industries and Comeng Holdings, the rolling stock manufacturer, have finally settled their four-year wrange over control of the feundry groups Bradken Consolidated. The solution is that neither company will end up with outright control—but they will pool their holdings and make a takeover bid for the outstanding capital in Bradken.

ANI started the contest almost four years ago with a SA8.75m. ($10m.) bid for Bradken which was countered by a higher offer from Comeng. Over the next two years both companies made several more takeover attempts, and also bought shares in each other. The end result was that ANI finished with 34 per cent. of Bradken and 21.3 per cent of Comeng.

ANI equity accounts for its holdings in both Bradken and Comeng while Comeng equity accounts to Bradken holding and also its 41 per cent. shareholding in Union Carriage and Wagon of South Africa.

An uneasy truce has existed for the past couple of years. When Comeng made an unsuccessful take-over bid for the tractor distributor and steel merchant William Adams—which would have significantly watered down the ANI stake—the ANI Board publicly criticised the move.

ANI and Comeng have now agreed to pool their combined 67 per cent. stake in Bradken to exercise control, although they have invited the existing managing director, Mr. W. E. Kendall, to continue in office. They have also agreed to make an offer to minority holders through a jointly owned company to be formed: however, the decision to exercise control does not depend on the result of the bid, which will be unconditional as to the amount of acceptances.

The offer is SA2.75 cash a share, which is slightly higher than the last sale price on the market of SA2.70. It compares with an adjusted value of SA1.24 for the original ANI offer and values Bradken at $A21m.

Full acceptance of the offer would involve an outlay of SA6.75m.

ANI will raise $A2.5m. of this by placing 1.88m. shares with Comeng at $A1.36 — the same level as the market price. Comeng will thus effectively outlay $A5.74m. and ANI only $A1.01m.

On ANI's current capital Comeng would increase its equity stake to almost 25 per cent. but there are still no plans to equity account the holding. If allowance is made for full conversion of ANI's existing convertible securities which can run until 1984, the holding will come back to 21.3 per cent., exactly the level ANI already holds in Comeng.

Both companies have agreed that after the ANI placement neither has any intention of increasing its percentage holding in the other. ANI and Comeng have also agreed, where appropriate, to continue to seek opportunities where they may cooperate in making investments on a basis similar to that proposed for Bradken.

Bond Corporation back in profit

BY OUR OWN CORRESPONDENT

SYDNEY, April 4.

BOND Corporation Holdings, the real estate group, reaped the benefits of its consolidation programme of recent years, with a return to profits in the December half. The company made a profit of $A609,000 ($US695,000) for the period, compared with a $A1.26m. loss for the first half of 1976-77.

The company has been selling off assets to reduce group borrowings after it experienced liquidity problems in the wake of the 1974 collapse of the property market. The largest sales were the disposal of a major interest in the iron ore group, Robe River, for $A20m. in May, 1976 and the sales earlier this month of a 51 per cent. interest in the Western Australian resort project to the other partner, Tokyu Corporation of Japan.

* * *

REPCO, Australia's largest manufacturer of automotive parts, has lifted its takeover bid slightly for Century Batteries. The Century Board has unanimously agreed to recommend the offer and to accept for their holdings.

Repco made an initial offer last month of $A2 a share, valuing Century at almost $A11m. It has now agreed to an increase of 5 cents a share, which will cost another $A275,000.

Repco started with a holding of just over 7 per cent. of Century and has since raised this to almost 11 per cent. through purchases on the share market.

* * *

John Fairfax, major newspaper, television and publishing group, lifted earnings almost 9 per cent. in the December half-year, despite continuing losses by its Sydney newspapers, writes James Forth from Sydney. Group profit rose from $A4.5m. to $A4.9m. ($US5.6m.) after tax on a 17 per cent. increase in revenue to $A107.5m. ($US123.2m.). The interim payment is 5 cents a share on capital increased by a scrip issue — an effective increase of 7 per cent.

New issues up fourfold in Israeli market

BY L. DANIEL

TEL AVIV, April 4.

NEW ISSUES of I.£4bn. ($250m.) were made on the Israeli stock market in the financial year to March—four times the amount raised in 1976-77.

Israeli Deputy Finance Minister Y. Flumin has expressed the hope that the losses suffered by those who bought at the height of the Stock Exchange boom and the subsequent sharp fluctuations, would not lead to a reversal of the trend.

At the same time he disclosed that long-te[illegible] saving by institutional investors has come up to expectations. Some I.£16.3bn. of long-term bonds were sold at source during the first 11 months of fiscal 1977-78, or only I.£500m. less than planned for the whole year.

However, direct sales to the public accounted for only I.£1.2bn. less than planned for the whole year.

However, direct sales to the public accounted for only I.£1.2bn. of the total, with the remainder sold to back savings schemes, pension and provident funds, and insurance portfolios.

Mr. Flumin urged the banks to consider launching new savings schemes,

Tongaat withdraws bid for Primrose

By Richard Stuart

JOHANNESBURG, April

THE TONGAAT group morning withdrew its 130 c a share cash bid for Primr the large Transvaal based b group, on the grounds that share price has remained at of the offer ever since it announced 16 days ago. W Tongaat made its bid, the sh were trading in the 90c ra but immediately moved at 130c. Trading as high as in heavy volume.

The market behaviour ca Tongaat off balance, but a re-assessing the situation a v ago, it decided not to incr the bid and reiterated tha was serious about buying trol at 130c, but not at a hi price. This statement had immediate effect of collap the premium to within 2c of bid price, but failed to bri below 130c.

Tongaat's withdrawal ca the market by surprise, but an initial period of hesitancy shares continued trading a 130c. If Tongaat had consid the withdrawal of the bid tactic to remove the unde ning to the share price, th appears to have miscalculat

Stelux looks for recovery in earnings

HONG KONG, April

STELUX Manufacturing pany, the watch-making con has passed its interim div for the year ending Marc

The company said that a b even position in profitability achieved in the nine mont end-1977. Overseas subsidi which were a source of sub tial losses during the pre fiscal year, are currently sh improved operating results.

It expects to record a prof the fiscal year ending Marc 1978, and believes that it coming year earnings s increase significantly.

In fiscal 1977, Stelux rep a net loss of $HK (SUS1.2m.), after a 1976 profit of $HK41.79m.

Reuter

* * *

GAMMON BUILDING Con tion, thet new joint ventur tween Gammon (Hong K and Swire Properties will operations with over $HK ($US60m.) on the order f it was announced after the Board meeting of the new pany, writes Daniel Nelson Hong Kong. The cons concern will also complete on behalf of Gammon (Kong) worth about $HK70

EUROMARKETS

Costa Rica seeks Boruco finance

BY HUGH O'SHAUGHNESSY

THE COSTA Rican Government is seeking funds from private sector banks to complete the financing of the Boruca aluminium project and its associated hydroelectric scheme which will eventually cost more than $2bn. The smelter is to produce 280,000 tonnes of metal a year.

The hydroelectric scheme is being executed by the Instituto Costarricense de Electricidad (ICE), the state power and telecommunications concern. The Boruco dam scheme is estimated to cost some $800m. of which the Costa Ricans hope that about a third will be provided by the World Bank, the Inter-American Development Bank and the Central American Bank for Economic Integration and about another third by suppliers' credits.

Further funds are expected to be provided by an oil purchase facility provided by the Venezuelan Government. ICE itself will provide some equity capital and may float a bond issue in the Euromarkets. There remains some $80m. which ICE hopes to raise from foreign banks. This week ICE signed a $22.5m. medium term loan for the development of the power potential of the Arenal River.

The Boruc dam will have a planned capacity of 760 MW, four-fifths of which would be devoted to powering the aluminium smelter. Speaking at a presentation in London yesterday Mr. Alex Murray, the ICE executive president, forecast that power would be sold to the smelter at a cost of between 20 and 25 miles per kilowatt/hour (one mil equals one-thousandth of a U.S. dollar).

Mr. Murray claimed that it was perfectly feasible to site another aluminium smelter in the Caribbean basin where there were already several other similar smelters being planned.

The dam and smelter are not expected to be completed until 1986, by which time the international aluminium companies currently producing metal in the North-Western states of the U.S. would be having to face new commercial situations.

Many long-term contracts for the supply of power to the companies in the States of Oregon and Washington at rates of between 3 and 5 mils would have expired and the companies would have to pay much more for the power without the assurance that this would be provided for them on a continuous basis. This latter factor, he claimed, would oblige them to instal their own power production facilities and at the same time increase the attractiveness of the Boruca scheme.

The smelter itself was likely to be built and run by a consortium headed by Martin Marietta, the U.S. engineering group, which could include European and Japanese investors. He put its cost at nearly $1.3bn. Details of the deal would be negotiated with Government of President-elect Rodrigo Carazo which takes office in a few weeks' time.

Mr. Murray said that Costa Rica was currently harnessing only about 3 per cent. of its hydroelectric potential and even by the end of the century it would only be using about 25 per cent. He added that Costa Rica with its tradition of democratic government and political stability was an attractive place for investment, particularly for companies needing large amounts of electric power.

* * *

Petroleos Mexicanos (Pemex) is signing its $1bn. Eurocurrency loan in London to-day, writes Mary Campbell. The loan has been increased from an originally scheduled $800m. The formal structure of the loan involves 15 managers, five junior managers, 11 co-managers and 32 other participants, bringing the total number of banks participating in the loan to 63.

The terms include a margin over inter-bank rates of 1¼ per cent. for a ten-year final maturity.

Kuwait International Investment (KIIC) has placed 5.5m. Kuwaiti dinars in promissory notes for the Kuwaiti trading company. Youssef Ahmed Al-Ghanim and Sons.

The amount of the issue was raised to KD5.5m. from KD3.75m. originally scheduled because of good demand for the issue, KIIC said.

The notes are in three tranches, for two years with a coupon of 8 per cent. for three years at 8½ per cent., and four years at 8¾ per cent. J. Henry Schroder and Co. of Beirut is joint manager.

The Abu Dhabi Gas Liquefaction Company is raising $100m. in the form of a two-tranche floating rate syndicated loan and a $25m. fixed rate private loan from the National Bank of Abu Dhabi. The proceeds are to go towards the gas liquefaction plant on Das Island.

Of the syndicated loan portion, $50m. is for eight years. Guaranteed by the Abu Dhabi National Oil Company, it will offer a margin over inter-bank rates of ⅝ per cent. for two years and ¾ for the remaining six years. The $25m. tranche is unguaranteed and offers a margin of 1 per cent. throughout the seven-year maturity. The management group is not yet complete on this loan but is expected to comprise 10 banks. Lead managers will be the National Bank of Abu Dhabi and Abu Dhabi Investment Company.

International Combustion Australia has obtained a trade credit facility of $300m. for 12 years from a group of ten international banks headed by Westdeutsche Landesbank, Kredietbank and Crédit Commercial de France. The facility will enable the International Combustion to make deferred payment arrangements on four boilers which it is selling to the State of Victoria's Electricity Commission. The boilers, each with an output of 500 megawatts, are for use in the Loy Yang power station project in the Latrobe Valley which is scheduled for commissioning in 1986.

It is understood that the credit facility, which is effectively guaranteed by the State of Victoria, will pay interest at margins over inter-bank rates of ⅝ per cent. for the first two years, ¾ per cent. for the next eight years and 1 per cent. for the last two years. There is a five year grace period before repayments start and an almost equally long availability period during which the loan will not be fully drawn. The loan was signed on March 13.

The Algerian company Solitex has arranged a $25m. seven year loan from a group of banks headed by Crédit Commercial de France. The spread on the loan, which is guaranteed by Banque Nationale d'Algérie, will be 1⅝ per cent. Repayments start after 42 months.

CANADIAN Finance Minister Jean Chretien said that the standby credit facility the Government has with Canadian chartered banks is being increased to $U.S.2.5bn. from $U.S.1.5bn. "In recent months, the net inflow of capital to Canada, particularly that arising from the foreign borrowing of Canadian provinces, municipalities and corporations, has been low relative to the size of the deficit on current transactions in goods and services," he said. "For seasonal reasons, this deficit is normally much larger in the first several months of the year than in the remainder . . . and under these circumstances, the Government has used a portion of its exchange reserves to add to the net inflows of capital to Canada that finance the deficit in the current account of the balance of payments." Recent borrowing of funds in the U.S. capital market will replenish some of the reserves that have been used in these operations.

Sasebo secures emergency assistance

BY YOKO SHIBATA

TOKYO, April 4.

SASEBO HEAVY Industries, Japan's eighth largest shipbuilder, has secured emergency assistance from Government as part of its plan to extract itself from fiancial crisis.

The Ministry of Transport and the Ministry of Finance are studying emergency rescue measures, including a moratorium of the repayment of Y21.4bn. ($98m.) worth of borrowings (as of the end of December, 1977) from Japan Export and Import Bank and the Japan Development Bank, and the possible suspension of interest payments. The Government also may give top priority to Sasebo in extending orders from the Maritime Safety Agency and the Defence Agency.

Apart from these emergency measures, the Ministry of Finance has revealed that the Government is already extending loans to Sasebo to bridge its deficits during April.

Because of the world-wide shipbuilding recession and the impact on export order bookings by the rise of the yen, 28 medium and small shipbuilders have gone bankrupt since the beginning of 1977. However, the Government's involvement in rescue efforts for a specific shipbuilder is unusual.

According to the Transport and Finance Ministries, the Government fears that the huge accumulated losses of Sasebo would amount to Y76bn. or more. At the same time the company's failure would have a considerable impact on Sasebo city's economy where 133 of Sasebo's affiliated companies and 14 per cent. of the population of the city would be hurt.

Early this week, Mr. Kazumi Tsuji, Sasebo's mayor, came to Tokyo to appeal to governmental agencies and Sasebo's major shareholders.

Sasebo's financial plight worsened around last autumn, when the company was heavily hit by the higher yen exchange rate. Sasebo's new ship orders were nil in the September 1977 to March 1978 term, while there were only two ship orders in the March to September 1977 term.

As a result, capacity utilisation has been slashed to 50 per cent. of its peak. Under-employed workers (6,600 persons) and excess capacity have become a heavy burden for the company.

According to the Ministry of Finance, Sasebo requested Dai-Ichi Kangyo Bank (its main bank) and Nippon Kokan (its second largest shareholder) to send directors to Sasebo in order to bolster management and to take more severe rationalisation measures. However, this move has been postponed due to opposition from Kurushima Docks (its main shareholder).

Discord among Sasebo's shareholders has left the company in the doldrums in recent months, and it was not until last week that the company and DKB went to the Government for help. According to the bank, rationalisation measures should produce Y5bn. in cost-cutting but the company will still need about Y10bn. in fiscal 1978 to cover its losses.

So far, the disagreement among shareholders has meant that DKB could not itself pledge to extend loans of this size, since the bank insists on a unaminous guarantee for the company's debts from its major shareholders.

SELECTED EURODOLLAR BOND PRICES
MID-DAY INDICATIONS

STRAIGHTS	Bid	Offer
Alcan Australia 8½pc 1989	95⅞	96⅜
AMEV 8pc 1987	96¼	97
Australia 8½pc 1992	94½	95
Australian M. & S. 9½pc '92	97¾	98¼
Barclays Bank 8½pc 1992	96⅞	97⅜
Bowater 9½pc 1992	97¾	98¼
Can. N. Railway 8⅞pc 1986	98	98½
Credit National 8½pc 1986	97½	98
Denmark 8½pc 1984	100	100½
ECS 9pc 1995	98½	99
ECS 8⅞pc 1997	95⅞	96¼
EIB 8⅞pc 1992	98	98½
EMI 9½pc 1989	97½	98¼
Ericsson 8⅞pc 1989	95¾	96¼
Esso 8pc 1986 Nov.	101½	102
Gt. Lakes Paper 8⅞pc 1984	98½	99⅛
Hamersley 9½pc 1992	99⅝	100⅛
Hydro Quebec 9pc 1992	96½	97
ICI 8⅞pc 1987	97	97⅝
ISE Canada 9½pc 1986	103¾	104¼
Macmillan Bloedel 9pc 1992	96½	97
Massey Ferguson 9½pc '91	95⅞	96⅜
Michelin 9½pc 1988	101⅞	102⅜
Midland Int. Fin. 8⅞pc '92	98	98½
National Coal Bd. 8pc 1987	94⅝	95⅛
National Wstmnstr. 9pc '86	101	101⅝
Newfoundland 9pc 1989	100⅝	101⅛
Norges Kom. Bk. 8⅞pc 1992	96⅞	97⅜
Norpipe 8⅞pc 1989	96	96½
Norsk Hydro 8⅞pc 1992	96	96⅞
Oslo 9pc 1988	101⅞	102¼
Ports Autonomes 9pc 1991	98⅞	99⅛
Prov. Quebec 9pc 1995	96⅝	97
Prov. Saskatch. 8⅞pc 1986	99⅝	100⅛
Reed International 9pc '87	93⅞	94⅜
RHM 9pc 1992	93	93½
Selection Tst. 8⅞pc 1989	90⅝	91⅛
Skand. Enskilda 9pc 1991	99½	100
SKF 8pc 1987	92⅞	93⅜
Sweden (K'dom) 8⅞pc 1987	95⅞	96⅜
United Biscuits 9pc 1989	98⅝	99⅛
Volvo 8pc 1987 March	92⅝	93⅛
NOTES		
Australia 7½pc 1984	96	96⅜
Bell Canada 7⅞pc 1987	94⅝	95⅛

	Bid	Offer
Br. Columbia Hyd. 7⅞pc '85	94⅝	95⅛
Can. Pac. 8⅞pc 1984	99⅝	100⅛
Dow Chemical 8pc 1986	97	97⅝
ECS 7½pc 1982	96¾	97¼
ECS 8½pc 1989	95½	96
EEC 7½pc 1982	96½	97
EEC 7½pc 1984	95⅝	96⅛
Enso Gutzeit 8½pc 1984	96⅞	97⅜
Gotaverken 7¾pc 1983	97½	98
Kockums 8pc 1983	98½	99
Michelin 8¾pc 1983	99⅞	100⅜
Montreal Urban 8½pc 1981	101	101⅝
New Brunswick 8pc 1984	96⅞	97⅜
New Bruns. Prov. 8¾pc '83	100½	101
New Zealand 8½pc 1986	96½	98
Nordic Inv. Bk. 7½pc 1984	95½	96
Norsk Hydro 7½pc 1982	97½	98
Norway 7½pc 1982	96	96½
Ontario Hydro 8pc 1987	96½	97
Singer 8½pc 1982	100½	101
S. of Scot. Elec. 8¾pc 1981	99⅞	100⅜
Sweden (K'dom) 7⅞pc 1982	97½	98
Swedish State Co. 7⅞pc '82	97⅝	98⅛
Telmex 9½pc 1984	99⅝	100⅛
Tenneco 7⅞pc 1987 May	93⅞	94⅜
Volkswagen 7⅞pc 1987	94⅝	95⅛
STERLING BONDS		
Allied Breweries 10½pc '90	94½	95½
Citicorp 10pc 1993	94¾	95¾
Courtaulds 9½pc 1989	94½	95
ECS 9½pc 1989	95⅞	96⅜
EIB 9½pc 1988	97½	98
EIB 9⅞pc 1993	95⅞	96½
Finance for Ind. 9½pc 1987	95½	96
Finance for Ind. 10pc 1989	95½	96
Fisons 10½pc 1987	98½	99
INA 10pc 1988	94½	95
Rowntree 10¾pc 1988	94⅞	95⅜
Sears 10½pc 1988	94⅞	95⅜
Total Oil 9½pc 1984	94½	95

DM BONDS	Bid	Offer
BFCE 5½pc 1988	100⅝	101⅛
BNDE 6½pc 1986	97⅞	98⅜
CFE 6½pc 1988	97⅞	98⅜
Denmark 6½pc 1984	100½	101
ECS 5½pc 1990	97⅞	98⅜
EIB 5½pc 1990	97⅞	98⅜
Euratom 5½pc 1987	100	100½
Eurofima 5⅞pc 1988	100½	101
Finland 5½pc 1986	99	99½
Forsmarks 5½pc 1990	99½	100
New Zealand 5½pc 1986	100⅞	101⅜
Norcem 5½pc 1989	100⅞	101⅜
Norway 4½pc 1983	102	102½
Philippines 6½pc 1985	97	97½
Sweden 6pc 1989	101⅞	102⅜
Tauernautobahn 6½pc 1983	100	100½
TVO Power Co. 6pc 1988	99	99½
Venezuela 6pc 1988	99	99½
World Bank 5½pc 1990	99½	100
FLOATING RATE NOTES		
Bank of Tokyo 1984 7 13/16pc	99⅜	99⅞
BFCE 1984 8½pc	99⅜	99⅞
BNP 1983 8 1/16pc	99⅜	99⅞
CCF 1983 8pc	99⅝	100⅛
CGMF 1984 7⅞pc	98½	99
Creditanstalt 1984 7⅞pc	99⅜	99⅞
Credit Lyonnais 1982 8pc	99½	100
DG Bank 1982 7 15/16pc	99⅞	100⅜
GZB 1981 8 1/16pc	100⅛	100⅝
Intl. Wstmnstr. '84 7 15/16pc	99⅞	100⅜
Lloyds 1983 7⅞pc	100⅛	100⅝
LTCB 1983 8pc	99⅞	100⅜
Midland 1982 8pc	101	101½
Midland 1987 7 11/16pc	99	99½
OKB 1983 7⅞pc	99⅞	100⅜
SNCF 1985 8½pc	99⅜	99⅞
Std. and Chtrd. '84 7 11/16pc	99½	100
Wms. and Glyns '84 8 1/16pc	99⅞	100⅜

Source: White, Weld Securities.

CONVERTIBLES	Bid	Offer
American Express 4¼pc '87	81½	83
Ashland 5pc 1988	85½	87
Babcock & Wilcox 6½pc '97	93½	94½
Beatrice Foods 4¼pc 1992	92½	94
Beatrice Foods 4⅞pc 1992	105½	107
Beecham 6½pc 1992	95	96
Borden 5pc 1992	93	94½
Broadway Hale 4⅞pc 1987	78½	80
Carnation 4pc 1987	76	77½
Chevron 5pc 1988	121½	123
Dart 4¾pc 1987	77	78½
Eastman Kodak 4½pc 1988	80½	82
Economic Labs. 4½pc 1987	77	78½
Firestone 5pc 1988	79½	81
Ford 5pc 1988	87	88½
General Electric 4¼pc 1987	81	82½
Gillette 4¾pc 1987	77½	79
Gould 5pc 1987	107½	109
Gulf and Western 5pc 1988	84	85½
Harris 5pc 1992	148½	149
Honeywell 6pc 1986	87½	89
ICI 6⅞pc 1992	85½	86½
INA 6pc 1997	94½	96
Inchcape 6¾pc 1992	108½	109½
ITT 4½pc 1987	78	79½
Jusco 6pc 1992	110½	111½
Komatsu 7½pc 1990	126	137
J. Ray McDermott 4⅞pc '87	139	141
Matsushita 6⅞pc 1990	157½	159½
Mitsui 7⅞pc 1990	129½	130½
J. P. Morgan 4¼pc 1987	91	92½
Nabisco 5½pc 1988	98½	100
Owens Illinois 4½pc 1987	107½	109
J. C. Penney 4½pc 1987	77	78½
Revlon 4⅞pc 1987	103½	105
Reynolds Metals 5pc 1988	82½	84
Sandvik 6½pc 1988	109	111
Sperry Rand 4¼pc 1987	84	85½
Squibb 4½pc 1987	78	79½
Texaco 4½pc 1988	78½	80
Toshiba 6½pc 1992	132½	134½
Union Carbide 4½pc 1982	92	93½
Warner Lambert 4½pc 1987	81½	83
Warner Lambert 4⅞pc 1988	77	78½
Xerox 5pc 1988	78	79½

Source: Kidder, Peabody Securities.

WALL STREET + OVERSEAS MARKETS + FOREIGN EXCHANGES

Early modest rally on bargain hunting

BY OUR WALL STREET CORRESPONDENT

NEW YORK, April 4.

BARGAIN HUNTING was mainly responsible for a modest recovery on Wall Street this morning in moderate activity, after the decline spanning the past three trading days.

The Dow Jones Industrial Average showed an improvement of 2.60 at 753.64 at 1 p.m. and the NYSE All Common Index was 14 cents firmer at $49.58, while gains outscored losses by a six-to-five margin. Trading volume increased to 14.20m. shares from yesterday's 1 p.m. figure of 12.62m.

An analyst commented that he thought investors were becoming less panicky over inflation and the possibilities of both higher interest rates and slower economic growth.

Airco, after being delayed all yesterday and initially to-day, advanced $1 to $43¾—its directors have approved a merger into Martin Marietta for $50 per share and the New Jersey Bureau of Securities has ordered BOC International to stop acquiring Airco shares and to refrain from exercising voting rights on shares acquired after January 4. Martin Marietta eased ½ to $25¾.

Jewel declined $1 to $19½ and Skaggs had not opened for trading—the two companies have agreed to merge.

THE AMERICAN SE Market Value Index picked up 0.30 to 128.73 at 1 p.m. Volume 1.84m. shares (2.05m.).

Resorts International "A" put on $1 to $31 and the "B" surged ahead $7 to $50. The company has applied for a temporary New Jersey casino permit for Atlantic City and could be operating a casino there by the end of May—the first casino in that town.

Closing prices and market reports were not available for this edition.

MONDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Gillette	312,000	26½	−1¼
American Motors	291,300	4⅞	−⅛
Sears Roebuck	265,600	22¼	−⅛
U.S. Steel	237,200	25¼	−⅜
K Mart	198,900	23⅞	−¾
General Motors	172,000	60¼	−1
Ralston Purina	162,500	13⅞	−¼
Bally	152,600	22¾	+1¼
Exxon	140,300	44⅞	−⅞
Gen. Public Util.	135,000	19⅞	−¼

OTHER MARKETS

Canada lower

Share prices continued to move lower on Canadian Stock Markets in fairly active early trading yesterday. The Toronto Composite Index shed 2.4 more to 1,056.8 at noon, while Golds receded 10.5 to 1,286.0 and Banks 1.09 to 249.19, but Papers again resisted the downtrend, adding 0.31 at 105.75.

Orchan Mines "A" lost 20 cents to $1.85—the company said it may suspend production indefinitely, due to low demand and depressed prices for copper and zinc.

PARIS—Bourse prices, after initially reacting further, turned upwards to finish on a mixed note following quiet trading ahead of the formation of the new Government.

Banks, Stores, Hotels, Steels and Chemicals were mixed to firmer on balance, while Electricals and Constructions were higher but Stores ended mostly lower.

Bouygues recorded a net rise of 37 at Frs.645, while Dumez were 56 up at Frs.670, but Carrefour closed 19 down at Frs.1,538.

BRUSSELS — Market moved irregularly in thin trading, with some profit-taking in evidence.

Hoboken, with official strikes continuing at its Olen and Hoboken plants, shed 25 to B.Frs.2,120.

Sofina lost 50 to B.Frs.3,200, but GB Inno-Bm, still buoyed by the higher net dividend declaration, advanced 40 more to B.Frs.2,000.

AMSTERDAM — Stocks closed quietly mixed.

Akzo, among Dutch Internationals, rose Fls.1.10, while elsewhere, NedLloyd, Bijenkorf and Amfas gained ground, but Naarden, Gist-Brodades and Ahold were each around Fl.1 lower.

GERMANY—Shares rose afresh in lively trading.

Deutsche Bank advanced DM3.30 on news that it will pay a dividend of DM.8. Dresdner Bank, due to announce its dividend later this week, rose DM3.50, while Volkswagen, which is also expected to announce a dividend soon, gained 20 pfennigs.

The Bond market was firm, with Public Authority issues gaining up to 15 pfennigs. The Regulating Authorities sold paper worth a nominal DM3.6m. against DM5.7m. sales on Monday. Mark Foreign Loans also hardened.

SWITZERLAND—Prices were just a shade softer for choice in continued quiet dealing.

Among Banks, Credit Suisse hardened slightly following the chairman's statement at the annual meeting, but Oerlikon Buehrle, in Financials, receded 15 to Sw.Frs.2,155.

Among Industrials, Nestle Registered and Jelmoli put on Sw.Frs.20 apiece, but Sandoz retreated 75 to Sw.Frs.3,650.

MILAN — Mixed movements were recorded in thin trading, with some gains marking a selective return in buying interest.

Assicurazioni Generali, Fiat, IFI Privileged, Montedison and Snia Viscosa were among Industrial and Financial leaders to improve. Both Olivettis also rose, but both Pirellis and Italcementi lost ground.

SPAIN—The week began on an easier note, halting the recent recovery movement and leaving the General Index 1.37 down at 91.62. Torras Hostench, however, put on 2.50 points to 88.

JOHANNESBURG—Golds declined in line with lower Bullion indications.

Elsewhere, De Beers fell 13 cents to R5.27. Other Metals and Minerals were mixed in slack trading.

HONG KONG—The market was in a period of consolidation after recent rises, with a firm undertone and generally steady prices prevailing in active trading.

Hong Kong Bank were unchanged at $HK15.70, while Hong Kong Land gained 5 cents at $HK7.45 and Swire Pacific "A" were an exceptional 20 cents up at $HK6.75, but Jardine Matheson, ahead of next week's results, reacted 10 cents to $HK13.40.

TOKYO—Shaking off the previous day's setback, the market returned to a rising tack on fresh buying interest. The Nikkei-Dow Jones Average advanced 49.41 to a record 5,479.74 on volume of 370m. shares (290m.).

Pharmaceuticals, Foods and large assets issues, including Real Estates, led the advance, followed by big-capital stocks.

AUSTRALIA—After the recent advance, stock prices made a mixed showing with an easier bias affected by dull London and New York markets, a fall in Overseas metal prices and technical adjustments.

BHP came back 4 cents to $A5.98 and ANZ Bank lost the same amount at $A2.71, while David Jones receded 6 cents to $A1.11. However, Sugar issue CSR gained 5 cents at $A2.55 and H. C. Sleigh added 4 cents at 66 cents.

A bright sector in Minings was provided by Uraniums in response to Deputy Prime Minister Doug Anthony's statement that the Government wants mining development to go ahead as fast as possible. EZ Industries rose 14 cents to $A2.05 and Kathleen Investments 10 cents to $A1.50.

Indices

NEW YORK -DOW JONES

	Apr. 3	Mar. 31	Mar. 30	Mar. 29	Mar. 28	Mar. 27	1978 High	1978 Low	Since compilat'n High	Since compilat'n Low
Industrial	751.04	757.36	758.62	761.78	758.84	755.21	817.74 (3/1)	742.12 (28/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'meB'nds*	89.46	88.54	89.72	89.89	89.63	89.77	90.66 (4/1)	88.55 (26/1)	—	—
Transport	205.40	207.15	207.20	207.75	207.88	206.81	215.77 (3/1)	199.31 (9/1)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	104.74	105.66	106.72	106.06	105.95	105.72	110.98 (3/1)	102.84 (22/2)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol 000's †	20,250	28,150	20,460	25,450	21,600	18,870	—	—	—	—

* Basis of index changed from August 24.

Ind. div. yield %	Mar. 31	Mar. 24	Mar. 17	Year ago (approx.)
	6.16	6.16	6.06	4.57

STANDARD AND POORS

N.Y.S.E. ALL COMMON

Apr. 3	Mar. 31	Mar. 30	Mar. 29	1978 High	1978 Low
49.44	49.85	49.95	50.07	51.82 (5/1)	48.37 (6/3)

Rises and Falls

	Apr. 3	Mar. 31	Mar. 30
Issues traded	1,887	1,822	1,848
Rises	375	582	593
Falls	1,084	748	754
Unchanged	428	492	501
New Highs	—	—	—
New Lows	—	—	—

MONTREAL

TORONTO

JOHANNESBURG

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.

OVERSEAS SHARE INFORMATION

£ & $ firmer

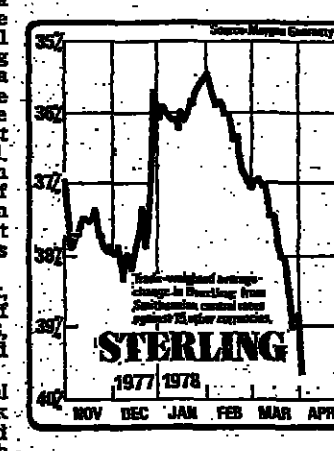
Sterling and the U.S. dollar were generally firmer in the foreign exchange market yesterday. The pound opened at $1.8660-1.8670 and improved to a high point of $1.8675-1.8685 before lunch. The announcement of a fall in the U.K. official reserves during March pushed sterling down to a low level of $1.8615-1.8625, but the weakness was shortlivd, since the eligible liabilities in the latest banking figures were well received. The pound rose quite sharply in late trading, after publication of the banking figures, to touch $1.8715-1.825, before closing at $1.8690-1.8700, a rise of 15 points on the day.

Sterling's trade-weighted index, as calculated by the Bank of England, rose to 62 from 61.8, after standing at 61.8 at noon and in early trading.

The dollar rose to a best level of DM2.0230 against the D-mark during the afternoon, and closed at DM2.0200, compared with DM2.0080 previously. It touched a high point of Sw.Frs.1.8780 in terms of the Swiss franc, before closing at Sw.Frs.1.8690, compared with Sw.Frs.1.8505 on Monday. The highest level touched by the U.S. currency against the Japanese yen was Y219.30, but it finished at Y218.70, compared with Y218.60 previously.

The dollar's index, on Bank of England figures, rose to 88.5 from 88.2, while its trade-weighted depreciation, according to Morgan Guaranty of New York, narrowed to 6.27 per cent. from 6.50 per cent.

Gold fell $2¾ to $179¼-180, partly reflecting nervous selling in New York. Before the U.S. market opened the metal had shown a slight improvement from the morning fixing level of $179.80.



CURRENCY RATES

	Special Drawing Rights April 3	European Unit of Account April 3
Sterling	0.664057	0.677685
U.S. dollar	1.24451	1.27149
Canadian	1.41538	1.44262
Austria sch	17.9303	18.3069
Belgian franc	38.8380	39.6802
Danish krone	—	6.99634
Deutschem'rk	2.48952	2.54213
Dutch guilder	2.66387	2.72074
French franc	5.64634	5.76409
Italian lira	1056.90	1079.74
Japanese yen	272.548	277.678
Norway krone	6.54301	6.68579
Spain peseta	99.1290	101.199
Swedish krone	—	5.78259
Swiss franc	2.27870	2.32678

EXCHANGE CROSS-RATES

April 4	Frankfurt	New York	Paris	Brussels	London	Amst'd'm	Zurich
Frankfurt	—	2.0180-0205	44.05-20	6.375-385	3.765-776	93.50-60	107.75-95
New York *	49.53-86	—	21.90-95	3.1900-50	1.8640-50	46.58-63	53.86-54.00
Paris	226.60-7.1	4.5527-5647	—	14.465-500	8.5055-5255	211.96-2.46	245.15-65
Brussels	15.64-69	31.32-47	6.89-91	—	56.68-84	14.62-66	16.98-17.04
London	3.77½-78½	1.8690 87	8.54-65	59.05-15	—	4.03½-04½	3.49-50
Amst'dam	106.97-7.02	2.1482-1507	47.15-20	6.8405-55	4.0125-0175	—	116.065-115
Zurich	92.539-779	1.8730-60	40.92-41.03	5.91-7 9348	3.4926-4995	85.893-912	—

U.S. $ in Toronto U.S. $=113.68-70 Canadian cents
Canadian $ in New York=87.94-98 cents. U.S. $ in Milan 850.70-1.10
Sterling in Milan 1588.30-1588.60. *Rates for April 3.

EURO-CURRENCY INTEREST RATES*

April 4	Sterling	Canadian Dollar	U.S. Dollar	Dutch Guilders	Swiss franc	W. German mark
†Short term	6⅝-6⅞	7-8	6¾-7	5-5¼	1/16-3/16	3 1/16-3 3/16
7 days notice	6¾-7	7-8	6⅞-7⅛	5-5¼	1/16-3/16	3 1/16-3 3/16
Month	7-7⅜	7⅜-7¾	7-7¼	4⅞-5⅛	1/16-3/16	3 1/16-3 3/16
Three months	7 11/16-8 1/16	7⅜-7⅝	7⅜-7⅝	4⅞-5⅛	1/16-3/16	3 1/16-3 3/16
Six months	8⅛-8½	8¼-8⅝	7¾-8	4⅞-5⅛	11/16-13/16	3 3/16-3 5/16
One year	8 7/16-8 11/16	8½-8⅞	7⅞-8⅛	5-5¼	1-1⅛	3 3/16-3 5/16

Euro-French deposit rates: two-day 8¼-8¾ per cent.; seven-day 8¼-8¾ per cent.; one-month 8½-9 per cent.; three-month 8¾-9 per cent.; six-month 9-9½ per cent.; one-year 9¾-10 per cent.

Long-term Eurodollar deposits: two years 8 1/16-8 3/16 per cent.; three years 8¼-8⅜ per cent.; four years 8¼-8½ per cent.; five years 8 7/16-8 9/16 per cent.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 7.10-7.20 per cent.; three-month 7.20-7.30 per cent.; six-month 7.50-7.60 per cent.; one-year 7.80-7.90 per cent.

* Rates are nominal calling rates.

Short-term rates are call for sterling, U.S. dollars and Canadian dollars, two days' notice for guilders and Swiss francs.

GOLD MARKET

FOREIGN EXCHANGES

OTHER MARKETS

FORWARD RATES

FARMING AND RAW MATERIALS

Bad weather cuts Indian tea crops

By Our Own Correspondent

CALCUTTA, April 4.

WEATHER HAS been unfavourable for tea growing in North East India from the beginning of this year resulting in loss of production according to Mr. N. L. Tantia, senior vice-president of the Tea Association of India.

A prolonged spell of drought has hit the crop in Darjeeling, Dooars, Terai and Cochar districts badly and in the last week of March Darjeeling, Dooars and Terai areas were hit by a severe hailstorm doing further damage.

Mr. Tantia says that first flush teas are the prime crops of these districts and are in good demand abroad. At least 90 per cent. of the Darjeeling crop is exported.

The adverse crop reports together with a holdup of 11m. kilos in a local warehouse where a go-slow by workers has been going on for several weeks have forced domestic tea prices higher. The "bullishness" is reflected in the firming up of prices at all auctions.

New hopes of extension to U.K. butter subsidy

BY MARGARET VAN HATTEM

LUXEMBOURG, April 4.

MR. FINN GUNDELACH, EEC Agriculture Commissioner, announced during the annual farm price review talks here to-day that he will present new proposals for some form of U.K. butter subsidy scheme. These are expected before the next farm council meeting on April 24.

In the past, Mr. Gundelach has firmly opposed suggestions that the U.K. subsidy be extended beyond the end of this year, or that a new British subsidy be introduced.

But Mr. John Silkin, the U.K. Minister, said after the talks that he believed Mr. Gundelach might be considering an extension after all, and that a Community-wide subsidy to counter the trend of falling consumption was a possibility.

This falling trend clearly worries the bigger butter exporters in the EEC. Ireland and Denmark said to-day they want the British subsidy to continue, Mr. Silkin said, and sources from several national delegations suggested to-day that Germany and the Netherlands are no longer averse to the idea.

Last year EEC farm ministers agreed that the subsidy, introduced in April, 1977, should be phased out by the end of this year. But Mr. Silkin claims that this would lead to a 40 per cent. rise in U.K. retail prices, which in turn would cause a 60,000 tonne drop in U.K. consumption over 12 months.

Earlier, at the talks, the Ministers referred to their Foreign Ministers' compromise proposals on the long-standing dispute over imports of Cypriot new potatoes which, if accepted, would clear the way for an EEC-Cyprus trade agreement.

The agreement, which has been held up on this issue for months, provides for substantial imports of sherry, citrus fruits and new potatoes to the Community (mainly Britain).

FEARS

Until now it has been held up by Italy, which fears competition from Cyprus for its own new potato exports to West Germany. To-day's compromise stipulates that the Cypriot potatoes should be shipped directly to the U.K. only.

Solution of this problem does not, however, clear the way for negotiations of a common potato regime which is still being blocked by Italy.

Mr. Poul Dalsager, president for the council, to-day ruled out the possibility of this being settled in the Farm Price Review, or indeed before July.

Italy is refusing to negotiate unless it receives direct fixed subsidies on an acreage basis, such as its citrus producers receive for lemons.

Most other members flatly reject this, but are prepared to consider a proposal put forward to-day for deficiency payments, which would make up the difference between the market price and a guaranteed minimum price.

British officials indicated that in the absence of any EEC potato regime, Britain intends to continue with its ban on potato imports, now the subject of Commission inquiries, despite strong hints that Mr. Gundelach is under mounting pressure from Germany to refer the matter to the European Court of Justice.

Should the ban be found illegal this would probably be too late to affect this year's crop. But it could seriously disrupt British price support arrangements for the 1978-79 crop.

Sugar hit by Soviet reselling

By Our Commodities Staff

WORLD SUGAR prices fell yesterday in response to reports that Russia had resold substantial amounts of white sugar bought earlier in the season to traditional outlets.

In the morning the London daily raw sugar price was marked down £2 to £100 a tonne and on the futures market August delivery price closed £3.675 lower at £106.475 a tonne.

Russia has scaled down its re-export trade in white sugar sharply over the past few years and claims that its purchases on the world market earlier this year were destined for re-export were generally disregarded at the time.

Yesterday's report, from Tass, has prompted a reappraisal of the country's own consumption trend, hence the "bearish" effect on the market.

In fact Russia has always maintained a substantial re-export trade, though much lower than in the late 1960s when the trade sometimes exceeded 1m. tonnes. In recent years re-exports of white sugar have averaged 60-70,000 tonnes but the Tass report says the total will be about 100,000 tonnes this year.

The market was also depressed yesterday by news that Peru was offering 33,000 tonnes of raws for export.

Meanwhile the International Association of Sugar Statisticians has estimated 1977-78 West European member countries sugar production at 13,895,000 tonnes, compared with 12,124,000 tonnes in 1976-77.

TIMBER MARKET

Currency changes the main worry

BY A SPECIAL CORRESPONDENT

SHORT-TERM buying, and the belief that there will be little change in world price levels, are the two tenets on which U.K. softwood importers are basing their operations this year.

With plenty of wood available in all our major supplying countries, importers' minds can rest easy on availability. What is giving cause for anxiety are currency movements and the chance that interest rates may start to rise again.

While there is evidence that the Swedish krona is stil overvalued at present levels it has performed very much better than sterling in recent weeks. So although world softwood prices may remain steady in the currencies of exporting countries, if the pound weakens then wood must become more expensive on the U.K. domestic market.

The Soviet Union is one of the major supplying countries from which the importers cannot buy in the short term. Russia's first schedule of softwood for this year's shipment was circulated in the first week of February for delivery from around June onwards at prices which were about 20 per cent. down on their past offer, which appeared in April 1977.

The nominal quantity was 450,000 cubic metres, but the response from importers was good; it is reckoned that about a million cubic metres have so far been sold and the Russian agents are still selling against the schedule. The top Russian official on timber in Britain has recently been in Moscow where he was no doubt consulting on future moves.

But it is thought that Exportles, the Soviet sales organisation, may well go on selling on the first schedule terms for several weeks yet and then perhaps come out with different specifications while maintaining the price levels. Their target is thought to be sales of about 1.4m. cu.m. this year.

The U.K. market is used to having the early months of each year dominated by the Russian schedules. However, this year Exportles, and its U.K. agents, should be feeling particularly gratified—to have sold a million cubic metres worth about £75m. in under two months on a sluggish market is no mean feat.

It reflects the Russian's willingness to listen to the importers' request for a currency clause which would protect them from violent fluctuations and the ingenuity of the U.K. agents, working with Exportles, in devising it.

Fears

The importers' fear was that weakness in the Scandinavian currencies would pull prices down on those markets and leave them with a surfeit of expensive Soviet wood. The currency clause links the Russian prices with the Swedish krona at a parity of Kr.9 to the pound.

On each side are five bands and if the krona moves through them the price will alter by an agreed percentage. No one can say for certain where the krona will be when shipment starts in mid-summer, but at present it has hardened to 8.60. If this index is held then under the clause prices would rise by 5 per cent.

Sales of Russian softwood have been made to a broad spectrum of importers with the smaller and medium-sized companies well involved, which always makes for a healthier market. But one of the customary major buyers has so far stood aside.

On the re-selling side, the first few months of the year were expected to be quiet, and so they have been with the construction industry hamstrung by the terrible weather. Ahead of the official figures, the National House Building Council has estimated the February housing starts in the private sector at 12,000.

This is a very high figure for February—back to the level of the boom years and bears out the trade's forecast of better timber sales in the second half of this year when houses start reaching the timber consuming stage of construction.

Trade statistics for 1977 show apparent consumption (movement out of importers' hands) at 6.37m. cu. m.—13 per cent. down on 1976 and the lowest annual figure for the past 25 years. The import figure was 6.43m. cu. m. and, despite the fall in prices over the past five months of the year, the cost was a record £523m.

Four countries — Sweden, Canada, Russia and Finland—accounted for 82 per cent. of our supplies and their individual share ranged from Sweden's 23 per cent. to Finland's 17 per cent.

One of the few countries to increase its sales was Portugal, which took fifth place. She supplies pallet and box making timber and this is an indication that our British grown softwood which also aims largely at these lower quality markets will have competition as its availability grows.

The stock at the end of the year stood at just over 2m. cu. m. —about normal, but it could be argued on the high side in relation to the sluggish consumption.

Forecasts for 1978 are for apparent consumption at the unexciting figure of 6.5m. cu. m. and imports about the same. At the end of the first quarter they look about right.

Russians gain New Zealand fishing rights

WELLINGTON, April 4.

THE SOVIET UNION became the second nation to gain fishing rights in New Zealand's 200-mile economic zone with signing here of a formal agreement by Mr. Brian Talboys, Foreign Affairs Minister, and Mr. Alexander Ishkov, Soviet Fisheries Minister, reports AP-Dow Jones.

The Russians recognised New Zealand's jurisdiction over the zone and Mr. Talboys said he hoped a quota would be fixed within the next few weeks on how much fish might legally be caught.

Mr. Ishkov said at a signing ceremony he hoped the agreement would lead to wider co-operation in many fields.

In Ottawa, meanwhile, a new fisheries agreement has been reached between Canada and Japan.

The agreement, which must still receive formal Government approval in Ottawa and Tokyo, sets out the conditions for continued Japanese fishing within Canada's new 200-mile zone.

Negotiations are to resume in May with the EEC, the last major group of countries still to sign a fishing treaty with Canada since Ottawa declared the 200-mile zone early last year.

Further boost for zinc prices

BY JOHN EDWARDS, COMMODITIES EDITOR

ZINC PRICES advanced strongly again on the London Metal Exchange yesterday following reports of further cutbacks in European production. The cash price closed £9.5 higher at £302 a tonne, resisting the general downtrend in other metal markets triggered off by the fall in gold.

It was confirmed yesterday that official notice of a strike to start next Monday had been served at the Hoboken Overpelt zinc plant, which has an annual capacity of 145,000 tonnes.

Workers at the Hoboken copper, lead and precious metals plants are already on strike in support of a wage claim.

At the same time strike action has begun at the Vielle Montagnes' zinc dust producing plant at Flone, and notice of strike action at its zinc plant is also understood to have been served for next Monday.

With the Prayon smelter already on strike, this means that next week there could be a complete shutdown of Belgian zinc production.

Last year Belgian slab zinc output was nearly 250,000 tonnes —the second biggest contributor to West European production of around 1.5m. tonnes.

A. M. and S. Europe also confirmed it has gone ahead with plans to close its zinc plant at Avonmouth for about nine weeks for major repairs and overhaul.

It said the timing of the closure, which is being extended beyond normal duration, is appropriate in view of the depressed level of prices and will help reduce stocks to moer normal levels.

Preussag, the big West German producer, announced yesterday it was cutting output to 12,000 tonnes a month, which is calculated to be about 68 per cent. of its capacity of its two plants estimated at around 210,000 tonnes a year.

These further cuts, coming on top of Asarco's decision in the U.S. to reduce output at its Corpus Christi plant by 50 per cent., stimulated further buying interest, but mainly from speculators, encouraged by rumours that the European producer price might be raised from $550 to $600 a tonne.

Trade sources were more dubious, although one dealer commented: "They might be mad enough to try, given past experience."

Tin below pact 'ceiling'

TIN PRICES fell below the International Tin Agreement "ceiling" of $M1,500 a picul for the first time since January, 1977, on the Penang market on Monday night. A decline of $M13 cut the Straits tin price to $M1,499 a picul.

The breakthrough, back into the Tin Agreement's price range, had little impact, however, on the London market yesterday. The standard grade cash tin price closed £55 down at £5,690 a tonne.

But this was basically due to the general downtrend in metal prices following the overnight trend in New York when gold values tumbled on an announcement that Switzerland planned to end gold backing for its banknotes.

Copper, lead and silver values also lost ground.

Cocoa decline continues

By Our Commodities Staff

THE DECLINE in London cocoa futures values continued yesterday with the July quotation ending the day £56 down at £1,891 a tonne.

Trading was thin in the morning but nearby prices quickly established a £40 permissible limit decline. Most traders could find no reason for the fall but some said it might be due to the circulation of a few Ghana current crop shipment declarations.

Bearish market sentiment based on downward chart indications following the breaking of established support levels seemed a more likely explanation, however.

U.S. commodity funds threatened

WASHINGTON, April 4.

A LITTLE-PUBLICISED section of President Carter's income tax revision package threatens the existence of U.S. commodity investment funds, it was claimed here, reports Reuter.

Mr. Frank Battle—representing several U.S. commodity banking companies—told the House Ways and Means Committee that approval of Carter's proposals to tax limited partnerships of more than 15 partners as corporations would wipe out the commodity funds.

He said the rapidly growing funds—made up of numerous partners—were created in the early 1970s to attract investors to commodity markets.

At present in the U.S. limited partnerships as such are not taxed, but the profits and losses are passed on to the partners for tax purposes. A corporation, however, is taxed, and the profits to shareholders are also taxed.

The Carter proposal of a new 15-partner rule is aimed at tax "shelters." But Mr. Battle argued before the tax panel that commodity funds were not "sheltering" organisations.

"Commodity funds offer very significant advantages to investors and channel speculative capital into the commodity futures markets which are vital to the U.S. economy," he claimed.

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Easier on the London Metal Exchange with the market unsettled initially by the overnight performance of New York. Trade selling helped to depress forward metal from £707 to £699 before influential buying caused a rally to £708. In the afternoon the price drifted off from £710, when Comex was lower than expected, and closed on the Kerb at £706. Turnover 19,250 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	689.5-90	-9.5	680-1	-4
3 months	704-.5	-10	705-6	-3.75
Settl'm'nt	690	-9.5	—	......
Cathodes				
Cash	681.5-2	-8	680.1	-3.5
3 months	695.5-6	-8.5	695-.5	-3.5
Settl'm'nt	682	-8	—	......
U.S. Smt.	—	—	64	......

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £690, three months £704, 3, 2, 2.5, 3, 2.5, 3, 3.5, 4, 4.5. Cathodes, three months £695. Kerb: Wirebars, three months £705, 6, 7, 5, 7, 7.5, 8. Afternoon: Three months £710, 11, 10, 9.5, 9, 8.5, 7, 6, 5, 5.5. Cathodes, three months £695. Kerb: Wirebars, three months £706.5, 6, 7, 7.5, 7, 6, 6.5, 6.

TIN—Lower with the forward price immediately depressed from £5,750 to £5,700 on liquidation after the Eastern price had slipped beneath the buffer stock ceiling. Thereafter London fluctuated between £5,710 and £5,740. It was holding moderately steady around £5,730 on physical covering before U.S. selling caused a relapse and a close on the Kerb of £5,710. Turnover 965 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	5720-5	-110	5685-95	-55
3 months	5750-60	-90	5730-40	-45
Settlem't	5725	-110	—	......
Standard				
Cash	5720-5	-110	5685-95	-55
3 months	5735-40	-95	5715-20	-50
Settlem't	5725	-110	—	......
Straits E.	†$1489	-13	—	......
New York	—	—	—	......

Morning: Standard, cash £5,720, three months £5,720, 10, 20, 30, 35, 40. Kerb: Standard, three months £5,735, 40, 45, 50. Afternoon: Standard, three months £5,740, 30, 25, 20, 10, 15, 20. Kerb: Standard, three months £5,710, 15, 10, 5, 10.

LEAD—Lost ground in routine trading. The market was influenced mainly by copper and zinc, as forward metal fell from £314-£316 to £310-£312 before advancing to £314-£316 and falling off to close on the Kerb at £308.5. Turnover 8,575 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	308.5-9	-5	307-8	-4.25
3 months	313.5-4	-5	312-5	-4.75
Sett'm'nt	309	-5	—	......
U.S. Spot	—	—	55	......

Morning: Cash £309, 8.5, three months £313, 12.5, 14, 15, 14, 14.5, 14, 13.5. Kerb: three months £314.5, 15, 14.5. Afternoon: Three months £315, 16, 16.5, 13, 13.5, 14, 13.5, 13. Kerb: Three months £312, 10, 10.5, 10, 9, 8.

ZINC—Stronger, against the general trend, as speculative buying on news of production cutbacks in Germany and smelter strikes in Belgium pushed the forward price higher. After initially falling from £296-£298 to £295-£297, it advanced to £310 on the morning Kerb. But it was not possible to maintain this level as profit-taking clipped gains, leading to a close on the late Kerb of £305. Turnover 9,350 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£		£	
Cash	301-.5	+6.75	301.5-2.5	+8.5
3 months	305-.5	+8.25	307-.5	+10
S'ment	301.5	+6.5	—	......
Prim. West	—	—	29	......

* Cents per pound. † On previous unofficial close. ‡ $M per picul.

Morning: Cash £297, £300.5, three months £302, 3, 4, 4.5, 5. Kerb: Three months £305.5, 6, 8, 9, 10, 9. Afternoon: Cash £305, three months £312, 13, 12, 10, 11, 10.5, 10, 6, 7, 7.5, 7. Kerb: three months £306, 7.

SILVER

Silver was fixed 2.5p an ounce lower for spot delivery in the London bullion market yesterday at 286.55p. U.S. cent equivalents of the fixing levels were: spot 535.4c, down 6.3c; three-month 544.7c, down 6.8c; six-month 555.6c, down 6.7c; and 12-month 578.1c, down 6.5c. The metal opened at 284.1-286.1p (530½-532c) and eased slightly to close at 285½-285½p (528½-530c).

SILVER per troy oz.	Bullion fixing pricing	+ or —	L.M.E. close	+ or —
Spot	286.55p	-2.5	286.4p	-3.85
3 months	291.55p	-2.7	290.4p	-4.5
6 months	298p	-2.45		
12 months	311.55p	-1.9		

LME—Turnover 172 (221) lots of 10,000 ounces. Morning: Three months 291.2, 91.3, 91.3, 1.7, 1.6, 1.5, 1.6. Kerb: Three months 291.8, 91.9, 92. Afternoon: Three months 291, 90.8, 90.9, 91, 90.4, 90.3, 90.4, 90.3. Kerb: Three months 289.9, 89, 89.3, 88.5, 88.3, 88, 87.8, 87.5, 87.2, 87.

COCOA

In the absence of first-hand selling, prices remained under pressure through the day with renewed consumer demand evident at the lower levels, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
No. 6 Con'ct			
May	1950.0-51.0	-38.5	2015.0-1941
July	1890.0-82.0	-58.0	1956.0-1886
Sept	1845.0-50.0	-48.0	1907.0-1840
Dec	1785.0-90.0	-44.75	1845.0-1780
March	1755.0-57.5	-41.25	1790.0-1755
May	1681.0-1705	-39.5	1740.0-1715
July	1640.0-85.0	-55.0	—

International Cocoa Organisation (U.S. cents per pound)—Daily price April 3: 155.78 (164.48). Indicator prices March 3: 15-day average 159.78 (158.12): 22-day average 154.54 (153.49).

COFFEE

ROBUSTAS opened initially lower. However, heavy support buying held the market firm under strong selling pressure, Drexel Burnham Lambert reports. Values advanced somewhat with this impetus but all attempts at an upward breakthrough were thwarted by trade selling. At the close values fell to the lows as New York eased and levels were up to £25 lower on the day. Dealers said the early steadiness was perhaps due to producer support but the weakness later on demonstrated the true sentiment of the market.

COFFEE	Yesterday's Close	+ or —	Business Done
	£ per tonne		
May	1405-1410	+6.0	1425-1380
July	1511-1515	-19.0	1548-1510
September	1260-1264	-29.0	1500-1265
November	1245-1249	-26.0	1280-1250
January	1225-1230	-20.5	1255-1258
March	1205-1215	-5.0	1217-1210
May	1190-1240	—	—

Sales: 2,035 (1,939) lots of 5 tonnes.

ICO Indicator prices for April 3 (U.S. cents per pound): Colombian Mild Arabicas 194.90 (196.00); unwashed Arabicas 173.00 (155.00); other mild Arabicas 171.11 (177.85); Robustas 150.00 (151.80). Daily average 168.25 (164.33).

ARABICAS—Remained steady in uncertain conditions Drexel Burnham Lambert reports. Volume was fair and at a quiet close values were £1.38 to £3.75 down on the day.

Prices (in order buyer, seller, change, business): April 202.50-203.00 −1.38, 204.00-203.00; June 173.00-174.50, −17.75, 178.50-174.00; Aug. 159.50-160.75, −3.62, 160.25; Oct. 148.50-149.50, −2.75, nil; Dec. 137.50-139.00, −3.75, 139.50-139.25; Feb. 132.00-136.00, −3.50, nil; April 125.00-132.00, −2.50, nil. Sales: 43 (26) lots of 17,250 kilos.

GRAINS

LONDON FUTURES (GAFTA)—May wheat opened unchanged, and with good hedge buying, gains of 40 points were soon before massive profit-taking forced values steadily lower despite strong shipper buying. It closed easier 10 points lower. Old crop barley was firm throughout the day and after initial gains of 20 points strong commercial interest forced the market 55 points higher. Both new crop options closed firm despite heavy shipper profit-taking, Acli reports.

	WHEAT		BARLEY	
M'nth	Yesterday's close	+ or —	Yesterday's close	+ or —
May	91.15	-0.10	79.70	+0.55
Sept.	85.25	+0.05	79.50	+0.35
Nov.	87.80	+0.15	82.00	+0.40
Jan.	90.35	+0.20	84.50	+0.35
Mar.	92.85	+0.15	86.95	+0.30

Business done—Wheat: May 91.65-91.15, Sept. 85.35-85.15, Nov. 87.90-87.65, Jan. 90.35-90.15, March nil. Sales: 239. Barley: May 79.70-79.35, Sept. 79.55-79.35, Nov. 81.95-81.80, Jan. 84.60-84.45, March 86.95-86.85. Sales: 259.

IMPORTED—Wheat: CWRS No 1: 13½ per cent. April-May £93 Tilbury. U.S. Dark Northern Spring No. 2: 14 per cent. April £83.75, May £83, June £82.75 transhipment East Coast. Rest unquoted.

Maize—U.S./French April £104.75, May £105 transhipment East Coast. Kenya Grade Three June-July $122.50 fob quoted. Rest unquoted.

Barley and Oats—All unquoted.

HGCA—Location ex-farm spot prices: Feed wheat: Humberside £87.90, Gloucester £85.10. Feed barley: Humberside £75.90, Gloucester £77.40.

The U.K. monetary coefficient for the week beginning April 10 is expected to increase to 1.373.

EEC IMPORT LEVIES and premiums effective April 5, in order current levy plus May, June and July premiums, with previous in brackets. All in units of account per tonne: Common wheat—85.92, 0.33, 0.33, 0.98 (85.92, 0.65, 0.65, 0.95). Durum wheat—132.16, nil, nil, nil (132.16, nil, nil, nil). Rye—78.56, 1.96, 1.96, 1.96 (78.91, 2.61, 2.61, 2.61). Barley—78.21, nil, nil, nil (80.52, nil, nil, nil). Oats—77.73, nil, nil, nil (77.08, nil, nil, nil). Maize (other than hybrid for seeding)—71.85, nil, nil, 1.31 (71.85, nil, nil, 0.85. Buckwheat—All nil (all nil). Millet—78.82, nil, nil, nil (78.82, nil, nil, nil). Grain sorghum—82.56, nil, nil, nil (82.56, nil, nil, nil). Wheat or mixed wheat and rye flour: 132.22 (132.22). Rye flour—123.30 (122.38).

RUBBER

EASIER opening on the London physical market. Fair interest at lower levels, closing steadier. Lewis and Peat report that the Malaysia godown price was 202 (204) cents a kilo (buyer, April).

No. 1 R.S.S.	Yesterday's close	Previous close	Business done
May	46.80-47.50	47.00-48.00	47.10-46.60
June	47.50-47.80	48.00-48.10	47.75
Jly-Sep.	49.25-49.50	49.65-49.70	49.60-48.95
Oct-Dec	50.85-50.90	51.25-51.50	51.30-50.60
Jan-Mr.	52.45-52.50	52.80-52.85	52.55-52.20
Apr-Jne	53.90-54.00	54.30-54.35	54.25-53.70
Jly-Sep.	55.45-55.50	55.75-55.95	55.50-55.40
Oct-Dec	56.95-56.95	57.15-57.20	56.90-56.65
Jan-Mar	58.10-58.50	58.50-58.65	58.50-57.50

Sales: 261 (435) lots of 15 tonnes, one lot of five tonnes.

Physical closing prices (buyer) were 48.75p (48.0); May 49p (48.75); June 49.25p (49.0).

COTTON

COTTON—Liverpool: Spot and shipment sales amounted to 50 tonnes, bringing the total for the week so far to 305 tonnes, reports F. W. Tatersall. Demand dwindled despite the firm undertone in prices. Users were not anxious to anticipate their needs apart from small quantities of Turkish varieties.

SOYABEAN MEAL

	Yesterday Close	+ or —	Business Done
	£ per tonne		
April	119.60-21.0	-2.1	121.50-20.00
June	120.50-21.0	-0.5	121.50-19.50
August	120.80-22.0	+1.20	121.50-20.00
October	117.50-19.0	+0.75	118.60-18.40
December	114.00-15.0	+0.80	114.50-14.10
February	114.60-16.5	+0.90	115.20-15.00
April	115.00-18.0	+0.50	—

SUGAR

LONDON DAILY PRICE for raw sugar £100 (£102) a tonne cif for April-May shipment. White sugar daily price was fixed at £106 (same).

The market opened slightly below overnight levels but later, following reports that the USSR had recently made substantial sales of whites, quotations eased sharply and losses of up to 250 points were recorded. However, at the end of the day some short-covering developed which lifted prices some 50 points off the lows, reports C. Czarnikow.

Sugar Pref. Comm. Con.	Yesterday's Close	Previous Close	Business Done
	£ per tonne		
May	101.00-01.15	106.15-06.25	105.00-01.50
Aug.	106.45-06.50	110.85-10.25	110.25-06.00
Oct.	109.80-09.75	113.50-13.60	113.60-09.25
Dec.	112.75-12.90	116.55-16.65	116.65-12.50
March	118.00-18.25	123.05-23.15	122.50-19.00
May	122.25-22.80	126.00-27.00	125.25-22.50
Aug.	125.00-26.00	128.00-29.50	126.75-26.00

Sales: 2,556 (981) lots of 50 tonnes.

Tate and Lyle ex-refinery price for granulated basis white sugar was £242.40 (same) a ton for home trade and £160.00 (£162.00) for export.

International Sugar Agreement: Indicator prices (U.S. cents per pound fob and stowed Caribbean port) for April 3: Daily 7.75 (7.73); 15-day average 7.56 (same).

WOOL FUTURES

LONDON—The market was dull and featureless, reports Bache Halsey Stuart. (Pence per kilo)

Australian Greasy Wool	Yesterd'ys Close	+ or —	Business Done
May	222.0-25.0		—
July	228.0-32.0	-0.5	—
October	231.0-35.0		—
December	235.0-37.0		—
March	238.0-39.0		—
May	238.0-42.0		—
July	238.0-45.0		—
October	238.0-47.0		—

Sales: 0 (37) lots.

SYDNEY GREASY (in order buyer, seller, business, sales). Micron Contract: May 339.0-340.0, 340.0-340.0, 2; July 344.5-345.0, 345.5-345.0, 2; Oct. 349.3-349.5, 349.6-349.5, 6; Dec. 356.8-356.9, 357.5-356.9, 13; March 363.0-363.5, 363.5-363.0, 9; May 367.5-368.0, nil, nil; July 370.1-370.5, nil, nil; Oct. 371.5-372.0, 372.5-372.0, 2. Total sales: 34.

MEAT/VEGETABLES

MEAT COMMISSION—Average fatstock prices at representative markets on April 4: GB—Cattle 67.28 per kg.l.w. (+0.42), U.K.—Sheep 141.2p per kg.est.d.c.w. (+1.7), GB—Pigs 61.3p per kg.l.w. (+0.1).

England and Wales: Cattle numbers down 4.1 per cent., average price 66.87p (+0.86); Sheep down 16.7 per cent., 142.4p (+1.8); Pigs down 9.3 per cent., 61.1p (+0.2).

Scotland: Cattle down 1.4 per cent., 68.25p (+1.26); Sheep down 22.2 per cent., 137.2p (+1.2); Pigs up 10.3 per cent., 63.7p (no change).

SMITHFIELD (pence a pound)—Beef: Scotch killed sides 51.5 to 54.5; Ulster hindquarters 66.0 to 70.0, forequarters 37.0 to 40.0; Eire hindquarters 66.0 to 69.0, forequarters 38.0 to 39.0.

Veal: English Fats 62.0 to 72.0; Dutch hinds and ends 94.0 to 98.0.

Lamb: English small 60.0 to 66.0, medium 50.0 to 63.0, heavy 48.0 to 52.0; Scotch medium 50.0 to 63.0, heavy 48.0 to 52.0. Imported frozen: NZ PL 43.0 to 46.0, PM 44.0 to 45.0, PH 43.0 to 44.0.

Pork: English, under 100 lb 36.0 to 43.5, 100-120 lb 36.0 to 42.0, 120-160 lb 35.0 to 41.0.

COVENT GARDEN (prices in sterling per package except where otherwise stated)—Imported produce: Oranges—Spania: Navels 3.60-4.40, Bloods 3.50-3.80; Cyprus: Valencia Lates 15 kilos 3.40-3.60; Jaffa: Shamouti 3.75-4.05; Egyptian: Valencia Lates 3.80; Moroccan: 3.70-3.90. Lemons—Italian: 100/120s 3.10-3.20; Cyprus: 2.40-3.60; Spania: 2.60-2.80. Grapefruit—Cyprus: 15 kilos 2.50-2.60; 20 kilos 3.00-3.40; Jaffa: 20 kilos 3.00-3.75. Apples—French: Golden Delicious 20-lb 84s 2.40-2.70, 72s 2.70-3.00; 40-lb 5.40-6.00, Granny Smith, jumble pack, per pound 0.14, Golden Delicious, jumble pack, per pound 0.11-0.14; Italian: Rome Beauty, per pound 0.14, Golden Delicious 0.11-0.14; U.S.: Red Delicious 7.60-8.20, MacIntosh 7.50-7.80; S. African: Dunn's 5.50-6.30, Jonathan 6.60-7.20, Starking Delicious 7.30-7.50; Danish: Spartans per pound 0.10; Chilean: Granny Smith 7.20-7.60. Pears—S. African: Williams Bon Chretien 6.60-6.70, Beurre Hardy 5.60-6.20; Italian: Passacrassane trays 13/140-lb 1.60-1.70; Dutch: Conference per pound 0.14; Victorian: Williams Bon Chretien 7.50; Chilean: Packham's 7.00; Argentine: Packham's Triumph 7.50. Grapes—S. African: Waltham Cross 5.70-5.60, Barlinka 5.40-5.50, Salba 5.10-5.20. Plums—S. African: Golden King/Songold per pound 0.45-0.48. Bananas—Jamaican: Per pound 0.15. Melons—Chilean: White 4.50, Green 5.50; S. African: White 3.00. Avocados—Israeli: Hass 16/24s 3.20-3.70; Kenya: Fuerte 14/24s 3.50-4.00; S. African: Fuerte 4.20-4.30. Strawberries—Israeli: 0.40; Californian: 0.90; Spanish: 0.40-0.50. Lettuce—Dutch: 24s 2.40. Pineapples—Ivory Coast: 0.35-0.90 each. Onions—Dutch: Large 2.30-2.70, medium 1.50; Polish: 2.00; Chilean: Approx. 50-lb 5.50. Capsicums—Kenya: Per pound 0.40-0.45; Canary: 0.39. Celery—Spanish: 15s/36s 5.50-6.00. Potatoes—Canary: 3.60-3.70; Egyptian: 3.70-3.80. Cauliflowers—French: 24s 4.80. Cucumbers—Dutch: 14/16s 1.80-2.20; Canary: 1.00-1.20. Tomatoes—Canary: 3.00-4.50; Jersey: Per pound 0.45.

English produce—Potatoes—Per 56-lb, Whites/Reds 1.70-2.20. Lettuce—Per 12s 1.00-1.20. Beetroots—Per 28-lb 1.20-1.40. Sprouts—Per pound 0.12. Turnips—Per 28-lb 0.80. Carrots—Per bag 0.60-1.00. Parsnips—Per 28-lb 0.80-1.00. Onions—Per 56-lb 1.40-2.00. Swedes—Per 28-lb 0.40-0.45. Rhubarb—Per pound, outdoor 0.10. Cucumbers—Per tray 12/24s 1.60-2.00. Mushrooms—Per pound 0.40. Apples—Per pound Bramley's 0.14-0.19, Cox's Orange Pippins 0.16-0.25, Laxtons 0.08-0.12. Pears—Per pound Conference 0.11-0.15. Tomatoes—Per pound English 0.37-0.40.

Farm land price lower

By Our Commodities Staff

THE AVERAGE price of agricultural land changing hands in the three months to February was £2,369 an acre, according to figures released by the Ministry of Agriculture yesterday. This is 3.2 per cent. down on the November-January average but still higher than for any three-months period in 1977. The December-February 1976-77 average was £1,728 an acre.

But the land price index, which allows for the regional and area size-group composition of the reported sales, shows a small rise to 127 (1973=100). The index stood at 104 in the thre emonths to February, 1977, and peaked at 131 last June-August.

Reported sales totalled only 13,100 acres against 25,000 in November-January and 21,000 in December-February, 1976-77.

BURMESE RICE OUTPUT HIGHER

RANGOON, April 4.

BURMA produced 9.46m. tonnes of rice in the 1977-78 crop year, 140,000 tonnes more than in the previous year, according to government officials here, reports Reuter.

Damage to crops from irregular rains during the monsoon months of June to September was smaller than expected. High-yield paddy strains helped make up for the damage, they said.

PRICE CHANGES

Prices per tonne unless otherwise stated.

	April 4 1978	+ or —	Month ago
Metals			
Aluminium	£680	......	£680
Free market (cis)	$950-60	......	$950-60
Coppercash W. Bars	£690.5	-4.0	£630.75
3 months do. do.	£705.5	-3.75	£644.25
Cash Cathode	£680.5	-3.5	£620.5
3 months do. do.	£695.25	-3.5	£634.25
Gold Troy oz.	$178.625	-2.75	$186.875
Lead Cash	£307.5	-4.25	£297.25
3 months	£312.5	-4.75	£301.25
Nickel	‡		—
Free Market (cfr)	$1.9 -2.04	......	$1.85-2.0
Platinum troy oz.	£117.50	......	£114.5
Free Market	£119.05	-1.15	£116.5
Quicksilver (76lb.)	$130/35	......	$123-28
Silver troy oz.	286.55p	-2.5	262.5p
3 months	291.55p	-2.7	267.1p
Tin Cash	£5,690	-55.0	£6,135.5
3 months	£5,717.5	-50.0	£6,096.5
Wolfram 22.04lb.cif	$147-53	......	$148-54
Zinc cash	£302	+9.5	£256
3 months	£307.25	+10.0	£256.75
Producers	$550	......	$550
Oils			
Coconut (Phil)	$610y	-42.5	$635
Groundnut	$732	+10.0	£601
Linseed Crude (v)	$318	+2.0	$295
Palm Malayan	$566x	-17.0	$556
Seeds			
Copra Philip	$415x	......	$450
Soyabean (U.S.)	$278z	-9.5	$251
Grains			
Barley EEC			
Home Futures	£79.7	+0.55	£71.15
Maize			
French No. 3 Am	£104.75	......	£100
Wheat			
No. 1 Red Spring	£93y	......	£87
No. 2 Hard Winter	‡	......	‡
English Milling	£97.25	......	£94
Cocoa Shipment	£1,937	-102	£1,788
Future May	£1,891	-56.0	£1,722.5
Coffee Future			
May	£1,312	-19.0	£1,404.5
Cotton 'A' Index	68.65c*	-0.55	67.5c
Rubber kilo	46.75p	-1.25	48.5p
Sugar (Raw)	£100	-2.0	£101.5
Wooltops 64s kilo	272p	......	271p

Nominal. ‡ Unquoted. v April. s May-June. x June. y April-June. z April-May. x May. z Per ton.

INDICES

FINANCIAL TIMES

Apr. 3	Mar. 31	Month ago	Year ago
236.01	238.61	230.17	274.29

(Base: July 1, 1952=100)

REUTER'S

April 4	April 3	Month ago	Year ago
1428.3	1433.4	1384.1	1724.2

(Base: September 18, 1931=100)

DOW JONES

Dow Jones	April 3	Mar. 31	Month ago	Year ago
Spot	361.16	364.06	355.35	425.63
Futures	347.94	353.38	332.52	409.41

(Average 1924-25-26=100)

MOODY'S

Moody's	April 3	Mar. 31	Month ago	Year ago
Sple Commty	906.7	908.8	889.8	947.0

(December 31, 1931=100)

GRIMSBY FISH—Supply moderate, demand good. Prices at ship's side (unprocessed) per stone: Shelf cod £4.00-£4.50, codlings £2.80-£3.60, large haddock £4.20-£4.50, medium £3.50-£4.00, small £2.20-£2.90, large plaice £3.70, medium plaice £3.50-£3.70, best small £3.50-£3.60, medium skinned dogfish £9.00, large lemon soles £10.00, medium £8.50, saithe £2.20-£2.60.

PALMOIL—London: Closing April 320.00-330.00, May 300.00-30.00, June 300.00-300, July 300.00-30, August 300.00-30, Sept. 280.00-330.00, Oct. 290.00-330.00, Nov. 280.00-315.00, Dec. 280.00-310.00. Sales: Nil.

U.S. Markets

NEW YORK, April 3.

Cocoa—May 162.50 (167.25), July 156.35 (160.75), Sept. 152.90, Dec. 147.15, March 142.90, May 140.35, July 138.00. Sales: 920 lots.

Coffee—"C" Contract: May 162.50-162.55 (170.00), July 145.98 asked (153.00), Sept. 133.70, Dec. 120.50, March 116.50-117.00, May 114.50 nom., July 114.00-115.00, Sept. 110.00-117.00. Sales: 600 lots.

Copper—April 59.70 (60.10), May 60.20 (60.60), June 60.80, July 61.30, Sept. 62.30, Dec. 63.80, Jan. 64.30, March 65.30, May 66.30, July 67.30, Sept. 68.30, Dec. 69.80, Jan. 70.30. Sales: 3,050 lots.

Cotton—No. 2: May 55.60-55.68 (56.00), July 56.70-56.80 (57.12), Oct. 58.55-58.56, Dec. 59.51-59.55, March 61.01-61.05, May 61.90, July 62.70. Sales: 853,000 bales.

*Gold—Not available.

†Lard—Chicago loose 25.75 (same). New York prime steam 27.25 asked (27.25 traded).

‡Maize—May 254½-254½ (258½), July 254½-254 (257½), Sept. 252½, Dec. 255-255½, March 262½-262½, May 267.

§Platinum—April 220.50 (225.80), July 224.80-225.80 (229.70), Oct. 228.50-229.40, Jan. 232.90-233.10, April 236.80, July 240.80-241.00. Sales: ????? — — 33—

¶Silver—April 529.90 (545.50), May 533.20 (549.00), June 537.10, July 541.00, Sept. 549.00, Dec. 561.30, Jan. 565.40, March 573.80, May 583.20, July 590.80, Sept. 599.40, Dec. 612.10, Jan. 616.30. Sales: 11,580 lots. Handy and Harman spot 539.60 (541.00).

Soyabeans—May 659¼ asked (680½), July 665 asked (685), Aug. 657 asked, Sept. 622½-622, Nov. 610½-609, Jan. 614, March 627, May 628.

Soyabean Oil—May 25.15 asked (26.15), July 24.60 asked (25.60), Aug. 23.90 asked, Sept. 22.90 asked, Oct. 21.75-21.80, Dec. 21.50-21.55, Jan. 21.35-21.40, March 21.30-21.40, May 21.20-21.30.

Soyabean Meal — May 171.50-172.00 (178.70), July 174.30-174.50 (181.50), Aug. 175.00-175.50, Sept. 171.50, Oct. 167.50, Dec. 168.00-168.50, Jan. 170.00-170.50, March 172.50.

Sugar—No. 11—May 7.81-7.82 (7.81), July 8.11-8.12 (8.11), Sept. 8.35-8.36, Oct. 8.47-8.50, Jan. 9.00-9.01, March 9.27, May 9.53-9.54, July 9.74-9.76, Sept. 9.92-9.96. Sales: 3,219 lots.

Tin—495-500 asked (500.507 asked).

**Wheat—May 310½-312 (313½), July 313½-312½ (315½), Sept. 316, Dec. 326, March 332½-333, May 335½.

WINNIPEG, April 3. ††Rye—May 113.00 bid (113.00 bid), July 111.00 (111.00), Oct. 110.00 asked, Nov. 107.50, Dec. 106.00.

††Oats—May 80.80 (81.00), July 78.60 asked (78.70 asked), Oct. 77.40 asked, Dec. 75.90 bid.

‡‡Barley—May 80.00 (82.10), July 80.10 bid (81.60), Oct. 79.90 asked, Dec. 79.90 asked.

§§Flaxseed—May 241.00 (242.50 bid), July 239.00 (241.50), Oct. 237.50 asked, Nov. 234.90 bid, Dec. 235.00.

¶¶Wheat—SCWRS 13.5 per cent. protein content cif St. Lawrence not available.

All cents per pound ex-warehouse unless otherwise stated. * $s per troy ounces—100 ounce lots. † Chicago loose $s per 100 lbs—Dept. of Ag. prices previous day. Prime Steam f.o.b. NY bulk tank cars. ‡ Cents per 56 lb bushel ex-warehouse, 5,000 bushel lots. § $s per troy ounce for 50 ounce units of 99.9 per cent. purity delivered NY. ¶ Cents per troy ounce ex-warehouse. ‖ New "B" contract in $s a short ton for bulk lots of 100 short tons delivered f.o.b. cars Chicago, Toledo, St. Louis and Alton. ** Cents per 60 lb bushel in store. †† Cents per 34 lb bushel. ‡‡ Cents per 48 lb bushel ex-warehouse. §§ Cents per 56 lb bushel ex-warehouse, 1,000 bushel lots. ¶¶ $C per tonne.

Indian move to beat edible oil shortage

NEW DELHI, April 4.

THE INDIAN Government said it had taken several steps to improve the domestic edible oils position in view of an estimated shortfall of 950,000 tonnes in the current agricultural year which ends in June.

Mr. Surjit Singh Barnala, Agriculture Minister, said in Parliament these measures include importing edible oils.

PUBLIC NOTICES

BLACKPOOL BOROUGH COUNCIL

£800,000 issued 6th April, 1978, due 6th July, 1978, at an average rate of 6⅛%. Applications totalled £4.8m. Total outstanding £800,000.

BOROUGH OF LUTON

£950,000 Bills offered 5 April 1978 due 5 July 1978 at 6⅛%. Total applications £9,050,000. Outstanding Bills Nil.

GRAVESHAM BOROUGH COUNCIL

£500,000 Bills issue date 5 April 1978 maturing 5th July 1978 at 6⅛%. Applications totalled £2,750,000 and there are £500,000 bills outstanding.

LEGAL NOTICES

In the Matter of ABBOTT TAYLOR & CO. LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 20th day of April, 1978, to send in their full christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned RICHARD EAGLEFIELD FLOYD, Chartered Accountant, of 33, Clifford's Inn, Fetter Lane, London, E.C.4, the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

DATED this 30th day of March, 1978.

R. E. FLOYD, Liquidator.

STOCK EXCHANGE REPORT

Gilts unsettled late but equities move ahead

Share index up 5.3 at 467.8—Stores in demand

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Mar. 13	Mar. 30	Mar. 31	Apr. 11
Apr. 3	Apr. 13	Apr. 14	Apr. 25
Apr. 17	Apr. 27	Apr. 28	May 10

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

A much livelier and brighter day in stock markets was marred by a *late reaction* in British Funds in response to the banking figures Firm throughout official trading, the Funds closed without alteration after having shown rises ranging to ¼ at the short end of the market and to ⅜ in the longs.

The underlying dull and uncertain conditions which characterised the previous day's trading in equity markets was transformed and, with the aid of a large investment order spread throughout the market, some useful gains were recorded. Although slightly below the best, leading equities closed with rises to around two or three pence and sometimes more. After being 6 points up at 2 p.m., the FT 30-share index closed with a gain of 5.3 at 467.8.

Bid speculation and another long list of company trading statements generated a considerable amount of interest, while the overall improvement in activity was reflected in official markings of 5,414 compared with 4,839 on Monday. Property shares took on a better appearance after the recent setback on dearer money fears, while investment funds found their way into Stores. The latter, also buoyed by Budget possibilities, recorded above-average gains. The FT-Actuaries index for the subsection improved 1.2 per cent. to 184.64 compared with a rise of 0.8 per cent. to 205.48 in the All-Share index.

Gilts react late

Reflecting still their current underlying sensitivity, British Funds surrendered late in the evening gains extending to ⅜ which had been achieved only gradually during the day. The cause of the late reaction was disappointment with the banks' eligible liabilities, which was followed by the appearance of stock from holders taking the view that to-day's financial Press would again criticise the authorities' handling of money supply. Earlier, the further increase in the rate on this week's batch of Local Authority yearling bonds together with the March fall in U.K. official reserves had failed to harm sentiment.

German Young 4½ per cent. were temporarily suspended, at £350, at the request of the German authorities to allow interest rate alignments.

Much of a smaller business in investment currency represented book-squaring and other professional operations which, in a market rather thin of institutional and arbitrage interest, caused the premium to rally 1¾ points to 101⅜ per cent., after 102¼ per cent. Yesterday's SE *conversion factor* was 0.6902 (0.6944).

Hambro Life better

Persistent demand in a thin market prompted a gain of 15 to *302p, after 303p, in Hambro Life;* the annual results are due a week on Friday. Elsewhere in Insurances, Sun Alliance hardened 2 to 548p and Phoenix 4 to 262p in front of to-day's preliminary *announcements. Commercial* Union improved 3 to 150p and Guardian Royal Exchange put on 6 to 232p. Of the Brokers, Minet gained 7 to 181p and Sedgwick Forbes added 8 to 393p.

Late publication of the clearing banks' lending figures for the four weeks to March 15 led to a reaction in quotations. Earlier gains of around 6 were usually halved and Lloyds ended 3 harder at 273p, after 276p. NatWest closed a penny off at 273p, after 276p. Supported up to 283p in front of the full-year results, Bank of Scotland eased on disappointment with the performance to finish only a penny up on balance at 276p. Fears of an increase in interest rates continued to unsettle Hire Purchases and Wagon Finance receded 3 more to 87p.

Interest in Breweries was at a low level and shares closed little changed. Allied typified conditions, finishing without alteration at 88p. after 88½p. Elsewhere, Highland Distilleries rallied 2 to 141p on further consideration of the interim report.

Buildings generally had a firm undertone. Still reflecting an investment recommendation, Marchwiel put on 4 more to 278p, while Tilbury Contracting, 240p, and Richard Costain, 259p, rose 4 and 5 respectively. Buying in a restricted market prompted a rise of 6 to 56p in McNeill Group and, ahead of to-morrow's preliminary results, *Taylor Woodrow* hardened 2 to 380p. By way of contrast, H. and R. Johnson-Richards Tiles touched 110p before closing 3½ easier at 115p following details of the proposed bid terms from *Hepworth Ceramic, unaltered at* 79p. London Brick softened a fraction to 62; the annual results are due to-morrow.

Fisons stood out in Chemicals with a rise of 10 to 3[illegible] following *investment demand.* [illegible] *similarly* affected, closed 4 to the good at 362p.

Stores wanted

A good business was transacted in leading Stores yesterday as buyers returned on hopes that any tax concessions made in next Tuesday's Budget would stimulate consumer spending. British Homes put on 5 to 178p and Mothercare added 4 at 156p, while Burton A rose 3 to 116p and Marks and Spencer 2 to 149p. Comment on the annual results helped Combined English improve 3 to 83p. W. H. Smith A, in front of to-day's preliminary figures, firmed 2 to 159p, after 160p. Elsewhere, mail-order concern Grattan Warehouses shed 7 to 122p in reaction to the disappointing results. Freemans, however, still benefiting from Monday's excellent annual figures, put on 4 more to 288p. An increased interim dividend and trebled first-half profits heldped Peter Stores touch 46p before closing a penny higher on balance at 42p. Ratners moved up 4 to 92p but Cope Sportswear, a thin market declined 5 to 78p.

A little more interest than of late was shown in the Electrical leaders. GEC, up 3 at 252p, were helped by a Press suggestion that the company may sell its TV manufacturing divisions to Hitachi of Japan. Support left EMI 2 dearer at 151p, after 152p. Elsewhere, revived demand left United Scientific 6 up at 282p, and in response to the interim statement, Highland Electronics hardened a shade to 22½p. Henry Wigall, at 210p, regained 10 of the previous day's fall of 22 which followed the lapsing of Comet Radiovision's offer, while BICC firmed 2 to 106p awaiting to-day's preliminary results.

Engineerings benefited from the appearance of investment funds which were not confined to leading issues. Davy International rose 5 to 219p, after 220p, John Brown gained 4 to 288p and *Vickers were the latter amount* higher at 179p. Tube Investments improved initially but settled only 2 harder at 366p and GKN, awaiting the preliminary results, which were in line with market estimates, hovered *either side* of 274p. Revived speculative interest encouraged by bid hopes lifted Weir 6 to 120p, after 121p, and WGI were also firm at 98p, up 4. Others to improve included APV, 6 dearer at 202p, and Simon, 3 up at 210p. Increased profits and a proposed scrip issue caused Greenbank Industrial to harden a penny to 56p, while Spirax-Sarco made a *muted response, at* 272p, to the record figures and forecast that the trend will continue this year. Westland traded fairly briskly up to 47p for a gain of 2, but Braithwaite were lowered 5 to 138p and W. E. *Norton* slipped 2 to 32p. Among Shipbuildings, Yarrow put on 5 to 270p, the Board's confidence in the full-year outcome over-riding news of the lower first-half profits.

Foods made a firm showing with retailers well to the fore. Associated Dairies revived with a jump of 10 to 222p, while Nurdin and Peacock rose 4 to 82p and J. Sainsbury 5 to 170p. Cullen's Stores attracted speculative interest, the Ordinary and A picking up 7 apiece at 94p and 93p respectively. Tate and Lyle were notably firm at 196p, up 4. Cadbury Schweppes edged forward 1¾ to 54¼p in front of Thursday's preliminary figures, but news that the third quarter results had failed to reach expectations clipped a penny from J. Lyons at 93p.

Savoy A featured late in Hotels and Caterers with an improvement of 4 to a 1978 peak of 78p on the preliminary figures and capital proposal. Queen's Moat Houses hardened 2 more to 32p as bid speculation continued, while trading news was reflected in Grand Metropolitan, 2½ harder at 105½p, and Trust Houses Forte, 5 higher at 194p.

Miscellaneous Industrial leaders moved smartly forward on genuine investment buying. Bowater met good support ahead of to-morrow's annual results and firmed 5 to 193p, while Boots, helped *by* consumer *spending* hopes, added 4 at 217p. Turner and Newall, which has purchased a controlling stake in a Belgian brakes group, rose 6 to 191p, while improvements of between 6 and 8 were recorded in Metal Box, 308p, Pilkington, 482p, and Unilever, 510p.

Elsewhere, Channel Tunnel survived early profit-taking to push forward 3 more to 62p, after 65p, on further consideration of week-end Press comment which suggested that the U.K. and France are reviewing proposals for a new cross-Channel project. Bid hopes were behind a fresh advance of 2½ to 25½p in Talbex, while De La Rue moved up 10 to 280p in a thin market. Wilkinson Match were wanted at 169p, up 5, but Halma were marked down a penny *to 59p on the disclosure* that W. Canning had sold its 27.2 per cent. shareholding.

Motors and *Distributors* were generally better where changed. Lex Service hardened 2½ to 76p *in response to the chairman's* optimistic statement which accompanied the annual report, while Oliver Rix were active and ¾ firmer at 7½p following Press comment. In a thin market, *Charles Hurst rose 7 for a two-*day rise of 11 to 93p on the results. Higher earnings lifted Appleyard 2 to 83p, while Dowty hardened 3 to 173p and Lucas Industries 4 to 284p. Group Lotus *closed 2 better at a 1978 peak of* 51p, but small selling left Reliant a penny cheaper at 6p.

Newspapers and kindred trades closed firmer throughout. After its recent shake-out on profit-*taking,* Mills and Allen rebounded 10 to 172p on revived speculative demand, while improvements *of* 2 and 3 respectively were seen in Wace, 40p, and Oxley Printing, 60p. Ahead of to-morrow's annual figures, News International improved 5 to 267p, while Thomson, still reflecting the good results, improved 3 more to 223p, after 225p.

Properties steadier

Interest rate worries became less of a handicap on Properties but some issues found progress difficult, including Land Securities which eventually eased the turn to 207p. Conversely, MEPC regained 2 to 117p and Stock Conversion rebounded 6 to 230p, while Slough Estates hardened a penny to 109p after news of the Chicago office development venture. Scottish Metropolitan put on 2 to 105p on the increased half-yearly revenue, while Press mention caused Aquis Securities to improve similarly to a peak for the year of 20p. Demand developed for Estates Property, 4 higher at 94p, and London Shop, 3 better at 62p, but Clarke Nickolls shed 2 to 84p. Great Portland, down 12 on Monday, made little recovery at 280p, up 2, and among higher-priced stocks *Hammerson* A rallied 5 to 560p.

Currency reasons motivated further U.S. selling of British Petroleum but once again it was absorbed by London sources and the close was unaltered at 752p, after 748p. Elsewhere in Oils, business was light and Shell made a small recovery of 2 to 520p, after 522p, while Royal Dutch rallied ⅜ to £45⅞ on currency premium influences. Occasional demand in a thin market raised Oil Exploration 8 to 206p.

Although more interest was shown in the Investment Trust sector, changes were limited to a penny or two. London and Liverpool continued firmly, rising 1½ more to 23p, a premium of 2 over the mooted cash offer of 21p from Aschheim and Zug. West of England rose 3½ to 51½p on revived speculative demand in Financials where interest was also shown in Armour Trust, 1½ harder at 8½p.

Press comment on the results generated a fair amount of interest in Ocean Transport, which rallied 3 to 125p. Other Shippings fluctuated narrowly and closed little changed.

Overseas Traders were notable for firmness in Australian Agricultural, 2½ harder at 67½p, and United City Merchants, 3 better at 52p.

Among Textiles, British Mohair closed 2 better at 41p in response to the chairman's annual statement.

Awaiting news of the bid situation, Primrose dropped sharply to 65p on fears that the Tongaat offer would fail before rallying to close a penny better on balance at 85p.

Following news of the merger talks, Jokai Tea and Longbourne put on 8 apiece at the common price of 260p. Other firm spots in Plantations took *in* Guthrie, 5 up at 248p, and Castlefield, 6 to the good at 193p.

Golds uncertain

Activity *in mining* markets remained at a low level with price movements often erratic owing to the fluctuations in the investment currency premium.

South African Golds were marked down at the outset of business following the sharp fall in the bullion price in overnight transatlantic markets which reflected news that Switzerland is to end its 40 per cent. gold backing for banknotes.

The London bullion price closed $2.75 easier on balance at $179.625 per ounce, compared with the overnight U.S. closing price of around $178.

Cape and Continental buying of Golds in the later dealings enabled prices to stage a modest recovery, before fresh U.S. selling caused further minor setbacks.

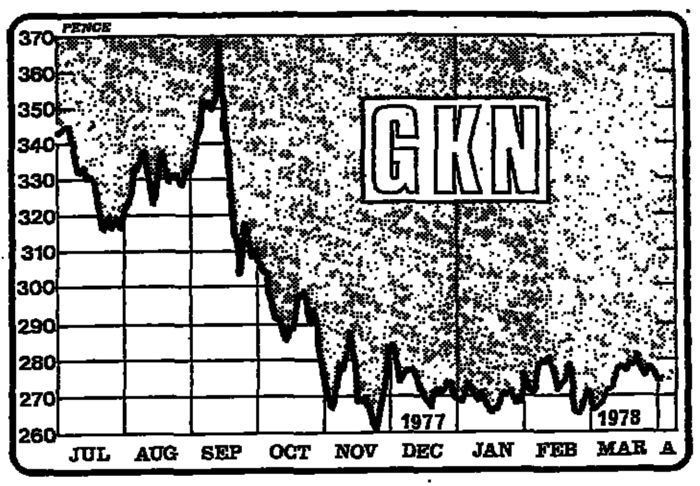
The Gold Mines index reflected the uncertainty of the market, falling another 1.3 to 156.1.

Losses among heavyweights were restricted to around ½ as in Western Holdings, £17¾, while Randfontein eased ¼ to £36¼.

Medium priced stocks showed President Steyn 19 off at 769p. Cape and London selling lowered South African Financials. De Beers fell 5 more to 332p and two-day decline of 18—and Anglo American conceded 3 to 303p. Profit-taking left Union Corporation 2 down at 280p.

London-registered Financials failed to respond to the strength of U.K. equities although Rio Tinto-Zinc managed an improvement of a penny at 196p. Selection Trust fell 6 to 388p while [illegible] price influences left Gold Fields cheaper at 180p.

After losing ground [illegible] Australians rallied in [illegible] trading to close barely changed [illegible] balance, mainly reflecting [illegible] turn in the premium. [illegible] ville were finally a penny [illegible] at 75p, after 71p, while [illegible] closed 2 easier on [illegible] at 183p, after 185p. The "high flyer" Northern [illegible] gave up 2 to 37p.



FINANCIAL TIMES STOCK INDICES

	Apr. 4	Apr. 3	Mar. 31	Mar. 30	Mar. 29	[illegible]
Government Secs.	73.84	73.86	73.89	74.05	74.44	74.75
Fixed Interest	77.22	77.16	77.38	77.77	77.90	78.14
Industrial Ordinary	467.8	462.5	463.8	467.7	468.1	460.2
Gold Mines	156.1	157.4	158.7	153.9	156.4	157.7
Ord. Div. Yield	5.79	5.84	5.81	5.77	5.77	[illegible]
Earnings Y'ld% (full)	17.01	17.17	17.07	17.04	17.05	17.22
P/E Ratio (net)	8.25	8.18	8.22	8.24	8.24	8.11
Dealings marked	5,414	4,839	5,498	5,045	5,061	4,833
Equity turnover £m.	—	60.56	74.54	72.87	79.86	81.34
Equity bargains total	—	19,112	18,318	19,832	19,907	14,636

10 a.m. 462.5. 11 a.m. 463.8. Noon 467.3. 1 p.m. 468.4. 2 p.m. 468.5. 3 p.m. 468.3. Latest Index 01-246 8026.

* Based on 52 per cent. corporation tax. † Nil=8.36. Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1978 High	1978 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	78.58 (3/1)	73.86 (3/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (9/1)	77.16 (15/2)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	497.5 (6/1)	453.4 (2/3)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	168.6 (3/3)	130.3 (3/1)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	Apr. 4	[illegible]
—Daily		
Gilt-Edged	151.7	[illegible]
Industries	186.0	[illegible]
Speculative	53.8	[illegible]
Totals	122.2	[illegible]
5-day Av'age		
Gilt-Edged	166.8	[illegible]
Industries	176.1	[illegible]
Speculative	81.1	[illegible]
Totals	117.7	[illegible]

NEW HIGHS AND LOWS FOR 1978

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1978.

NEW HIGHS (68)

AMERICANS (2)
Crown Zellerbach Xonics Inc.
CANADIANS (2)
Inco Rio Algom
BANKS (1)
Algemene Bank
BUILDINGS (3)
Brown & Jackson Marchwiel
McNeill Group
CHEMICALS (2)
Akzo Brent Chemicals
STORES (2)
Mensies (J.) Peters Stores
ELECTRICALS (1)
Comet Radiovision
ENGINEERING (9)
Ash & Lacy Ley's Foundries
Austin (J.) Locker (T.)
Burgess Products Do. A
Greenbank Indl. W.G.I.
Laird Group
FOODS (3)
Cullen's Stores Morgan Edwards
Do. A
HOTELS (2)
Queens Moat Houses Savoy A
INDUSTRIALS (12)
Bowater Glaxo Group
Christies Intl. Letraset
Davies & Newman Pilkington
Dinkie Heel Swire Pacific
Fogarty (E.) Talbex
Gestetner A Wace Inds.
INSURANCE (2)
Hambro Life Sedgwick Forbes
MOTORS (2)
Lotus Car Western Motor
Rix (O.)
NEWSPAPERS (2)
Pearson Longman United Newspapers
PAPERS (2)
Oxley Printing Saatchi & Saatchi
PROPERTY (2)
Aquis Secs. Hongkong Land
TEXTILES (2)
Dixon (D.) Tootal
Foster (J.)
TRUSTS (8)
Crescent Japan London & Liverpool
Int. Pacific Secs. Scottish & Continl.
Int. Inv. Tst. Jersey Nippon Fund Sterling
Jardine Secs. West of England
OVERSEAS TRADERS (2)
Australian Agric. Inchcape

RUBBERS (2)
Godak Malay Guthrie
TEAS (2)
Jokai Williamson

NEW LOWS (23)

Treas. 11¾pc 1979
BRITISH FUNDS (1)
German Young 4½pc
FOREIGN BONDS (1)
Coates Bros. A N-V
CHEMICALS (1)
Church
STORES (1)
Bailey (C. H.)
ENGINEERING (2)
Eva Inds. Shakespeare
Brady Inds.
INDUSTRIALS (4)
Chaste Wares Hensons Wiggins Bros.
Fodens
MOTORS (1)
Allied London
PROPERTY (5)
Centrovincial Ests. Bradford Prop.
Do. Cap.
Internationaler
SHIPPING (1)
Common Bros.
TEXTILES (1)
Homfray
TRUSTS (3)
Camellia Invs. Erskine House
Shell Transpt. 7pc Pf.
OILS (1)
East Rand Cons.
MINES (1)

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	[illegible]	[illegible]	[illegible]
Corpns. Dom. and Foreign Bonds	[illegible]	[illegible]	[illegible]
Industrials	[illegible]	[illegible]	[illegible]
Financial and Prop.	[illegible]	[illegible]	[illegible]
Oils	[illegible]	[illegible]	[illegible]
Plantations	[illegible]	[illegible]	[illegible]
Mines	[illegible]	[illegible]	[illegible]
Recent Issues	[illegible]	[illegible]	[illegible]
Totals	[illegible]	[illegible]	[illegible]

Stock Exchange turnover in March

Turnover in gilts falls further

BY GEOFFREY FOSTER

There was a further reduction in Stock Exchange turnover last *month. Investors were in no* mood to commit themselves ahead of next Tuesday's Budget and confidence was undermined throughout by the continuing slide in sterling, which in turn gave rise to fresh fears about the likelihood of an upturn in short-term interest rates.

Following February's fall of 6 per cent., business in all securities contracted a further £1.7bn., or just over 12 per cent., to £12.1bn., despite there being one more trading day in March. The total was the lowest since last July's £8.4bn. and about 46 per cent. off last September's all-time record of £22.4bn.

Gilt-edged turnover last month fel by £1.6bn. to £9.3bn., or 14.6 per cent., with business in short-*dated stocks down £1.5bn. to* £5.8bn. The number of bargains in gilts overall contracted by 4,379 to 68,211 with only a small decrease, 550 to 26,834, taking place in the shorts.

The average value per bargain in gilts as a whole was reduced to £214,907 from £275,841.

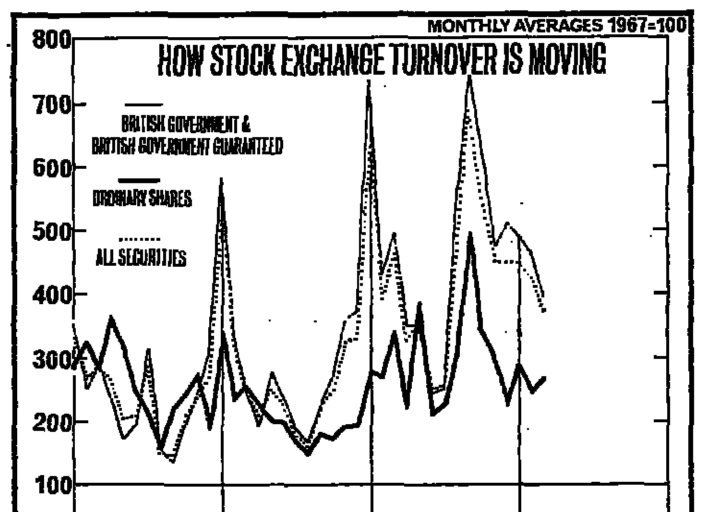
The FT Government Securities Turnover index fell to 395.7 from February's 463.6; the 1977 average was 478.8. The Government Securities stocks index mirrored buyers' reluctance over the month with a loss of 0.52 to 73.89 from the end-February level of 74.41.

Trading activity in equities, on the other hand, managed to improve slightly. Business volume was up £0.09m. to £1.49bn. in value, with the *number of bargains up 46,359* to 344,279, reflecting a substantial amount of "bed-and-breakfast" tax-loss transactions building up in front of next Tuesday's Budget. The average value per bargain, however, fell from £4,697 to £4,341. The FT turn-*over index for Ordinary shares* improved nearly 7 per cent. on the month to 266.6, which compares with the 1977 average of 299.9 and the all-time peak of 490.9 recorded last September.

Sentiment was governed by the same factors restricting interest in gilt-edged. But, partly on thoughts that lower sterling would be beneficial when viewed against the sharply depressing *effect its relative strength had* on corporate overseas earnings towards the end of 1977, equity prices improved during the month.

The FT 30-share index closed the month 20.4 points, or about 4½ per cent. higher at 463.8. This was 15½ per cent. off its all-time peak of 549.2 recorded six months earlier.

Erratic movements in Gold shares throughout March mirrored similar movements in *the price of gold bullion which* closed the month nearly $1 an ounce higher at $183.625 after ranging between $189.625, its highest level since end-December, 1974, and $177.375. The FT Gold *Mines index closed the month* fractionally easier at 158.7.



Category	Value of all purchases and sales £m.	% of total	Number of bargains	% of total	Average value per day £m.	Average value per bargain	Average number of bargains per day
British Government and British Government Guaranteed							
Short Dated (having five years or less to run	5,766.8	47.6	26,834	5.8	274.6	214,907	1,278
Others	3,582.2	29.6	41,377	8.9	170.6	86,574	1,970
Irish Government							
Short Dated (having five years or less to run)	422.9	3.5	1,828	0.4	20.1	231,345	87
Others	266.0	2.2	3,233	0.7	12.7	82,281	154
U.K. Local Authority	406.4	3.3	7,343	1.6	19.3	55,342	350
Overseas Government Provincial and Municipal	12.6	0.1	1,705	0.3	0.6	7,408	81
Fixed Interest Stock Preference and Preferred Ordinary Shares	169.2	1.4	39,223	8.4	8.0	4,313	1,868
TOTAL (Categories 1-7)	10,626.1	87.7	121,543	26.1	506.0	87,426	5,788
Ordinary Shares	1,494.3	12.3	344,279	73.9	71.2	4,341	16,394
TOTAL (Categories 1-8)	12,120.4	100	465,822	100	*577.2	26,019	22,182

* Average of all securities.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1978 high	1978 low
BP	£1	15	732	—	864	720
ICI	£1	13	362	+ 4	363	328
Shell Transport	25p	13	520	+ 2	533	484
Burmah Oil	£1	11	44	—	57	44
EMI	50p	11	151	+ 2	190	141
Beecham	25p	10	645	+ 3	678	583
British Leyland	50p	10	22	—	27	20
GEC	25p	10	252	+ 3	278	237
Commercial Union	25p	9	150	+ 3	156	138
Rank Org.	25p	9	246	+ 2	265	226
Grand Met.	50p	8	105½	+ 2½	109	87
Letraset	10p	8	134	+ 1	134	98
Lonrho	25p	8	70	+ 1	78	67
Reed Intl.	£1	8	114	+ 4	143	102
Tate & Lyle	£1	8	196	+ 4	218	190

OPTIONS TRADED

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Mar. 21	Apr. 10	Jun. 22	July 4
Apr. 11	Apr. 24	July 6	July 18
Apr. 25	May 9	July 20	Aug. 1

For rate indications see end of Share Information Service

Money was given for the call in Town and City Properties, Grand Metropolitan and Warrants, Mills and Allen, North Broken Hill, Keyser Ullman, Hawker Siddeley, Siebens Oil (U.K.), Brittains, Brooke Tool, Peko Wallsend, Lee Cooper, *Coalite and Chemical,* BSG International, J. Brown, Yule Catto, Selincourt, H. Wigfall, Staflex International and Burmah Oil, while doubles were arranged in Siebens Oil (U.K.), Debenhams, Tricentrol, Christie Tyler, Highland Distilleries, Kwik-Fit, GKN, Vickers, Burmah Oil and H. Wigfall. A short-dated call was done in Shell Transport, while a put was taken out in Bowater. Doubles were arranged in Shell Transport and Ladbroke Warrants.

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p	+ or −	Div. Amount	Times Covered	Gross Yield	P/E Ratio
105	F.P.	26/4	121	118	Saga Holidays	120	[illegible]	6.75	2.2	8.5	8.1

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p	+ or −
25	F.P.	30/3	13/4	31½	29	G. H. Industrials	31½	+1½
50	F.P.	17/3	7/4	81	58	Millbury	70	[illegible]
62	F.P.	29/3	10/5	83	76	Watmoughs	82	[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. a Forecast dividend; cover based on previous year's earnings. r Dividend and yield based on prospectus or other official estimates for 1978. q Gross. † Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of Ordinary shares as a "rights." ** Issued by way of capitalisation. †† Minimum tender price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Introduction. □ Issued to former Preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants.

FT—ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS — GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues., April 4, 1978 Index No.	Day's Change %	Est. Earnings Yield% (Max.) Corp. Tax 52%	Gross Div. Yield% (ACT at 34%)	Est. P/E Ratio (Net) Corp. Tax 52%	Mon. Apr. 3 Index No.	Fri. Mar. 31 Index No.	Thurs. Mar. 30 Index No.	Wed. Mar. 29 Index No.
1	CAPITAL GOODS (170)	202.46	+0.9	17.70	5.78	7.94	200.59	201.44	202.91	203.47
2	Building Materials (27)	181.29	+0.7	17.43	5.77	8.28	180.09	181.24	182.66	182.82
3	Contracting, Construction (26)	321.71	+0.7	17.87	4.05	8.35	319.35	318.17	322.47	321.41
4	Electricals (15)	431.52	+1.1	15.42	4.10	9.26	426.75	428.21	430.89	433.92
5	Engineering Contractors (14)	287.87	+1.3	17.44	7.02	7.86	284.23	285.84	287.93	288.63
6	Mechanical Engineering (71)	160.79	+1.0	19.25	6.41	7.16	159.14	160.29	161.29	162.18
8	Metals and Metal Forming (17)	162.81	+0.7	19.18	8.50	7.00	161.68	161.97	163.18	162.37
	CONSUMER GOODS									
11	(DURABLE) (52)	186.76	+0.8	18.09	5.11	8.02	185.28	185.41	186.42	185.81
12	Lt. Electronics, Radio TV (15)	221.83	+0.7	16.06	3.85	9.00	220.26	221.10	222.13	221.80
13	Household Goods (12)	169.02	—	16.91	7.25	8.22	169.05	169.02	168.92	168.46
14	Motors and Distributors (25)	116.38	+1.1	21.54	6.56	6.83	115.08	114.64	115.56	114.86
	CONSUMER GOODS									
21	(NON-DURABLE) (176)	196.61	+1.2	16.14	5.91	8.58	194.22	194.65	196.71	197.40
22	Breweries (14)	224.56	+0.3	14.53	5.92	10.43	223.97	224.37	227.29	228.41
23	Wines and Spirits (6)	251.53	+0.2	16.06	5.72	9.45	251.15	251.29	254.40	254.33
24	Entertainment, Catering (17)	248.15	+2.0	13.89	6.86	10.45	243.30	244.71	248.36	249.32
25	Food Manufacturing (22)	188.22	+1.6	21.09	5.78	6.69	185.20	185.86	187.84	187.84
26	Food Retailing (16)	191.07	+2.7	14.39	4.78	10.03	186.09	186.45	191.85	192.26
32	Newspapers, Publishing (13)	340.31	+1.1	11.08	3.74	13.44	336.47	335.58	326.95	329.34
33	Packaging and Paper (15)	128.69	+2.1	20.73	9.14	6.93	126.08	126.57	126.91	127.41
34	Stores (39)	184.64	+1.2	10.50	4.33	14.00	182.39	183.49	185.56	186.53
35	Textiles (25)	172.72	+1.2	21.43	7.80	5.78	170.60	170.84	171.47	172.42
36	Tobaccos (3)	233.91	+0.4	23.63	8.00	5.03	232.91	232.72	233.30	234.79
37	Toys and Games (6)	100.95	+0.8	20.01	5.87	6.68	100.13	100.13	100.61	100.98
41	OTHER GROUPS (97)	186.28	+0.8	17.35	5.97	7.59	184.79	185.02	186.76	186.58
42	Chemicals (19)	259.86	+1.0	19.25	6.67	7.11	257.20	256.38	260.00	260.11
43	Pharmaceutical Products (7)	245.63	+0.6	11.45	4.12	11.05	244.18	243.82	245.59	243.68
44	Office Equipment (6)	128.92	+0.9	18.82	4.83	6.24	127.74	128.20	127.36	128.45
45	Shipping (10)	422.86	+0.8	23.29	7.17	5.09	419.40	425.07	426.21	428.21
46	Miscellaneous (55)	192.71	+0.7	17.59	6.43	7.76	191.45	192.37	194.42	194.19
49	INDUSTRIAL GROUP (495)	201.40	+1.0	16.95	5.84	8.12	199.36	199.83	201.65	202.05
51	Oils (5)	442.53	+0.2	17.04	4.48	6.66	441.63	454.58	453.97	454.96
59	500 SHARE INDEX	221.67	+0.9	16.96	5.64	7.87	219.69	221.07	222.74	223.12
61	FINANCIAL GROUP (100)	164.38	+0.9	—	5.59	—	162.89	164.90	166.55	166.57
62	Banks (6)	189.44	+0.5	25.27	5.68	5.99	188.51	188.80	190.26	189.76
63	Discount Houses (10)	190.31	—	—	9.34	—	190.33	190.98	189.43	189.54
64	Hire Purchase (5)	146.30	−0.1	13.37	5.47	11.07	146.49	148.50	151.01	156.50
65	Insurance (Life) (10)	138.64	+1.5	—	6.51	—	136.63	138.86	140.38	141.86
66	Insurance (Composite) (7)	129.53	+1.4	—	6.51	—	127.69	129.58	130.72	130.33
67	Insurance Brokers (10)	337.96	+1.6	14.32	4.32	10.11	332.69	339.04	341.65	339.18
68	Merchant Banks (14)	76.46	+0.6	—	6.29	—	76.02	76.39	77.20	77.12
69	Property (31)	226.81	+0.4	2.95	3.05	64.89	225.87	231.44	235.39	236.81
70	Miscellaneous (7)	104.09	+0.8	25.10	7.63	5.51	103.29	103.98	104.53	104.51
71	Investment Trusts (50)	188.12	+0.2	3.49	5.07	28.68	187.82	188.47	188.72	187.85
81	Mining Finance (4)	92.49	−0.8	16.86	6.33	6.90	93.27	94.41	93.77	91.70
91	Overseas Traders (19)	281.37	+0.7	16.93	6.97	7.35	279.46	280.80	281.62	279.85
99	ALL-SHARE INDEX (673)	205.48	+0.8	—	5.64	—	203.78	205.27	206.77	206.88

FIXED INTEREST PRICE INDICES

	British Government	Tues. Apr. 4	Day's change %	xd adj. To-day	xd adj. 1978 to date
1	Under 5 years	108.07	+0.02	—	2.47
2	5-15 years	119.48	—	—	2.87
3	Over 15 years	125.75	—	—	3.24
4	Irredeemables	140.10	—	—	1.78
5	All stocks	117.23	+0.01	—	2.67

FIXED INTEREST YIELDS Br. Govt. Av. Gross Red.

			Tues. Apr. 4	Mon. Apr. 3
1	Low Coupons	5 years	7.94	7.94
2		15 years	10.25	10.25
3		25 years	10.78	10.77
4	Medium Coupons	5 years	10.85	10.85
5		15 years	11.29	11.29
6		25 years	11.49	11.49
7	High Coupons	5 years	10.39	10.39
8		15 years	12.10	12.09
9		25 years	12.37	12.36
10	Irredeemables		10.59	10.58

		Tuesday, April 4 Index No.	Yield %	Monday April 3	Friday March 31	Thurs. March 30	Wed. March 29	Tuesday March 28	Thurs. March 23	Wed. March 22
15	20-yr. Red. Deb. & Loans (15)	60.75	13.23	60.73	60.86	61.01	61.01	61.07	61.05	[illegible]
16	Investment Trust Prefs. (15)	56.11	12.68	56.07	56.59	56.79	56.79	56.09	56.09	[illegible]
17	Coml. and Indl. Prefs. (20)	75.76	12.47	75.75	75.96	74.12	74.18	74.20	74.20	[illegible]

† Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A new list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 13p, by post 22p.

INSURANCE, PROPERTY, BONDS

[illegible]

AUTHORISED UNIT TRUSTS

[illegible]

OFFSHORE AND OVERSEAS FUNDS

[illegible]

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♦ Net of tax on realised capital gains unless indicated by ϕ. ¶ Guernsey gross. ¢ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

BASE LENDING RATES

A.B.N. Bank	6½%	■ Hill Samuel §	6½%
Allied Irish Banks Ltd.	6½%	C. Hoare & Co. †	6½%
American Express Bk.	6½%	Julian S. Hodge	7½%
Amro Bank	6½%	Hongkong & Shanghai	6½%
A P Bank Ltd.	6½%	Industrial Bk. of Scot.	6½%
Henry Ansbacher	6½%	Keyser Ullmann	6½%
Banco de Bilbao	6½%	Knowsley & Co. Ltd.	9 %
Bank of Credit & Cmce.	6½%	Lloyds Bank	6½%
Bank of Cyprus	6½%	London Mercantile	8½%
Bank of N.S.W.	6½%	E. Manson & Co. Ltd.	8 %
Banque Belge Ltd.	6½%	Midland Bank	6½%
Banque du Rhone	7 %	■ Samuel Montagu	6½%
Barclays Bank	6½%	■ Morgan Grenfell	6½%
Barnett Christie Ltd.	8½%	National Westminster	6½%
Bremar Holdings Ltd.	7½%	Norwich General Trust	6½%
Brit. Bank of Mid. East	6½%	P. S. Refson & Co.	6½%
Brown Shipley	6½%	Rossminster Accept'cs	6½%
Canada Permanent AFI	6½%	Royal Bk. Canada Trust	6½%
Capitol C & C Fin. Ltd.	8½%	Schlesinger Limited	6½%
Cayzer Ltd.	7 %	E. S. Schwab	8½%
Cedar Holdings	8 %	Security Trust Co. Ltd.	7½%
Charterhouse Japhet	6½%	Shenley Trust	9½%
Choulartons	6½%	Standard Chartered	6½%
C. E. Coates	7½%	Trade Dev. Bank	6½%
Consolidated Credits	6½%	Trustee Savings Bank	6½%
Co-operative Bank *	6½%	Twentieth Century Bk.	7½%
Corinthian Securities	6½%	United Bank of Kuwait	6½%
Credit Lyonnais	6½%	Whiteaway Laidlaw	7 %
The Cyprus Popular Bk.	6½%	Williams & Glyn's	6½%
Duncan Lawrie ¶	6½%	Yorkshire Bank	6½%
Eagil Trust	6½%		
English Transcont.	8 %		
First London Secs.	6½%		
First Nat. Fin. Corpn.	8½%		
First Nat. Secs. Ltd.	8 %		
Antony Gibbs	6½%		
Greyhound Guaranty	6½%		
Grindlays Bank ‡	6½%		
Guinness Mahon	6½%		
Hambros Bank	6½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 3%, 1-month deposits 3¼%.
† 7-day deposits on sums of £10,000 and under 3%, up to £25,000 3½% and over £25,000 4¼%.
‡ Call deposits over £1,000 3%.
§ Demand deposits 4%.
¶ Rate also applies to Sterling Ind. Secs.

BUILDING SOCIETY INTEREST RATES

GREENWICH
(01-858 8212)
281, Greenwich High Road, Greenwich SE10 8NL.
Deposit Rate 5.55, Share Accounts 6.10, Sub'pn. Shares 7.50, Term Shares 2 yrs. fixed 1 over Share Accounts.

HEARTS OF OAK AND ENFIELD
(01-805 5666)
Walford House, 201, Hertford Road, Enfield EN3 5LQ.
Deposit Rate 5.25, Share Accounts 6.50. Sub'pn. Shares 7.25. Term Shares 6.75 3 yrs., 6.50 2 yrs., 6.25 1 yr.
* With effect from April 1.

LONDON GOLDHAWK
(01-995 8321)
15/17, Chiswick High Road, London W4 2NG.
Deposit Rate 5.75 Share Accounts 6.25, Sub'pn. Shares 7.50.

MORNINGTON
(01-267 2971)
158, Kentish Town Road, London NW5 2BT.
Deposit Rate 5.20*, Share Accounts 6.25.

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1978 High	Low	Stock	£	+ or −	Yield Int.	Red.
102	101	Treasury 10½pc '78‡‡	101	......	10.38	6.11
99½	99⅛	Exch. 5pc '76-78‡‡	99½	......	5.03	6.30
105½	103	Treasury 11½pc '79‡‡	103	......	11.08	7.15
97	94	Treasury 3pc '79‡‡	96⅛	......	3.12	5.81
97⅞	95	Electric 4¼pc '74-79	96⅞	......	4.39	6.49
104	102½	Treasury 10½pc '79‡‡	102xd	......	10.20	8.46
96	94	Electric 3½pc '76-79	95⅛	......	3.67	6.56
103	100	Treasury 9pc 1980‡‡	100⅝	......	8.94	8.62
102	100	Treasury 9½pc '80‡‡	100⅝	......	9.44	9.17
95	93	Treasury 3½pc '77-80	93⅝	......	3.74	6.66
96	94	Funding 5¼pc '78-80‡‡	96	......	5.47	7.25
110	107¼	Exchequer 13pc 1980‡‡	107½	......	12.11	9.74
106	103½	Treasury 11½pc 1981‡‡	104	......	11.02	9.64
91	90	Treasury 3½pc 1979-81	90⅛	......	3.88	7.38
101	99¼	Treasury 9¾pc 1981‡‡	100	......	9.68	9.48
97	95¼	Exch. 8¼pc 1981	96½	......	8.54	9.49
100	98	Exch. 9½pc 1981	99	......	9.54	9.63
87	87½	Exch. 3pc 1981	87½	......	3.42	7.19
96	96½	Treas. Variable '81‡‡	96	......	6.73	7.59
111	107	Exch. 12¾pc 1981‡‡	108	......	11.78	9.99
99⅛	95	Treas. 8½pc '80-82‡‡	96¼	......	8.79	9.53
86	84	Treasury 3pc '82‡‡	85½	......	3.51	7.37
115½	111¾	Treasury 14pc '82‡‡	112	......	12.42	10.02
96	95¼	Treas. Variable '82‡‡	95⅞	......	6.78	7.66
96	95	Treasury 8¼pc '82	95	......	8.67	9.65
100	96	Exch. 9¼pc 1982	97¾	......	9.46	9.87
96	95	Exch. 8¾pc 1983●	95	......	9.14	9.89
95¼	81	Exch. 3pc '83	82½	......	3.64	7.32
114¼	105	Treasury 12pc 1983‡‡	107½	......	11.13	9.95

Five to Fifteen Years

1978 High	Low	Stock	£	+ or −	Yield Int.	Red.
100½	95	Treasury 9½pc '83	98¾	......	9.56	10.04
89	85½	Funding 5½pc '82-84‡‡	85¾	......	6.43	8.73
96	93	Treasury 8½pc '84-86‡‡	94¼	......	9.21	8.89
87	81½	Funding 6½pc '85-87‡‡	81½xd	......	7.93	9.52
89	85	Treasury 7¾pc '85-88‡‡	86	......	9.17	10.28
68	63	Transport 3pc '78-88	64¼	......	4.73	8.38
75	69	Treasury 5pc '86-89	68xd	......	7.32	9.61
115¼	109	Treasury 13pc 1990‡‡	110	......	12.12	11.83
89	84	Treasury 8¼ '87-90‡‡	85	......	10.00	10.87
106½	100½	Treasury 11¾pc 1991	101	......	11.91	11.95
75	67¾	Funding 5¾pc '87-91‡‡	67¾xd	......	8.49	10.31
[illegible]	[illegible]	[illegible]	107	[illegible]	12.21	12.07

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

**INTERNATIONAL BANK

[illegible]

**CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

[illegible]

AMERICANS—Continued

[illegible]

S.E. List Premium 44¼% (based on $US1.8634 per £)

Conversion factor 0.6902 (0.6944)

CANADIANS

[illegible]

S.E. List Premium 44¼% (based on $2.1148 per £)

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

BUILDING INDUSTRY—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

CINEMAS, THEATRES AND TV

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICAL AND RADIO

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

مكتبة بين الأمل

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

INSURANCE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPBUILDERS, REPAIRERS

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INV. TRUSTS—Continued

[illegible]

Finance, Land, etc.

[illegible]

FINANCE, LAND—Continued

[illegible]

OILS

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]

MINES—Continued

CENTRAL AFRICAN

1978 High	Low	Stock	Price	+ or —	Div. Net	C'vr	Y'ld Gr's
210	155	Falcon Rh 50c	175xd	......	Q50c	1.3	24.4
24	17	Rhod'n Corp. 16⅔p.	18	+1	0.57	4.3	4.8
73	52	Roan Cons. K4	70	......	—	—	—
137	122	Tanganyika 50p	125	......	Q11.0	1.1	8.8
80	78	Do. Pref. 80p	80	......	Q9%	16.4	9.0
41	32	Wankie Col. Rh.1	38	......	†Q7½c	2.4	17.8
12½	10	Zam Cpr SBD0.24	11½	......	—	—	—

AUSTRALIAN

1978 High	Low	Stock	Price	+ or —	Div. Net	C'vr	Y'ld Gr's
12	10	Acmex 25c	10	......	—	—	—
103	64	Bougainville 50 Toea.	100	−1	Q8c	1.4	5.0
77	63	BH South 50c	75	+1	—	—	—
192	148	Conzinc Riotinto 50c	185	−2	Q10c	ϕ	3.4
72	52	G.M. Kalgoorlie $1	60	−4	—	—	—
94	81	Hampton Areas 5p	94	......	1.45	4.1	2.3
17	10	Metals Ex. 50c	12	......	—	—	—
167	125	M.I.M. Hldgs. 50c	166	−1	Q9c	1.7	3.3
23	10	Mount Lyell 25c	17	......	—	—	—
2½	1½	Newmetal 10c	1½	......	—	—	—
97	79	North B. Hill 50c	94	−1	Q8c	1.5	5.3
27½	8½	Nth. Kalgurli	11½	......	—	—	—
150	117	Oakbridge $A1	150	+1	†Q11c	1.9	4.6
37	30	Pacific Copper	33	......	—	—	—
£10	750	Pancont'l 25c	950	......	—	—	—
18½	12	Paringa M&Ex. 5p	15	−½	—	—	—
445	310	Peko-Wallsend 50c.	445	......	Q15c	4.0	2.1
111	84	Westn. Mining 50c	106xd	−3	Q6c	1.4	3.5
50	35	Whim Creek 20c	50	......	—	—	—

TINS

1978 High	Low	Stock	Price	+ or —	Div. Net	C'vr	Y'ld Gr's
30	24	Amal. Nigeria	25	......	†2.51	1.6	15.2
285	240	Ayer Hitam $M1	280	+5	†Q416.7c	0.9	‡
55	45	Beralt Tin	53	......	3.75	2.3	10.7
235	200	Berjuntai $M1	232	−3	‡Q110c	ϕ	‡
126	111	Geevor	115	......	18.05	3.4	23.8
10	8½	Gold & Base 12½p	8½	......	—	—	—
270	225	Gopeng Cons.	225	......	15.0	0.9	10.1
150	130	Hongkong	147	......	—	—	—
93	83	Idris 10p	83	......	7.5	ϕ	13.7
11	10	Jantar 12½p	11	......	—	—	—
73	68	Kamunting $M0.50	69	......	ZQ15.5c	0.7	4.8
450	450	Killinghall	450	......	Q125	ϕ	27.8
320	280	Malay Dredging $M1	285	......	†Q95c	0.8	7.2
50	40	♦Pahang	50	......	†Q2.5	0.5	5.0
58	50	Pengkalen 10p	50	......	6.5	2.3	19.7
190	165	Petaling $M1	175	......	mQ17½c	10.9	1.5
61	49	Saint Piran	50	......	g1.99	4.6	6.0
61	47	South Crofty 10p	50	......	b4.13	1.5	12.5
180	140	South Kinta $M0.50	148	......	tQ77.8c	1.4	11.3
280	240	Sthn Malayan $M1	240xd	......	tQ131.3c	1.1	11.8
170	134	Sungei Besi $M1	170	......	—	—	—
68	55	Supreme Corp. $M1	68	......	ZQ10c	—	3.2
100	90	Tanjong 15p	90	−3	4.5	ϕ	7.6
90	74	Tongkah Hrbr. $M1	85	......	Q6.32%	1.6	14.4
180	148	Tronoh $M1	175	......	ZQ88c	ϕ	10.8

COPPER

1978 High	Low	Stock	Price	+ or —	Div. Net	C'vr	Y'ld Gr's
96	70	Messina R0.50	88	......	‡Q30c	1.9	‡

MISCELLANEOUS

1978 High	Low	Stock	Price	+ or —	Div. Net	C'vr	Y'ld Gr's
9	9	Burma Mines 17½p.	9	......	—	—	—
300	220	Cons. Murch. 10c	260	......	Q30c	2.6	6.9
325	245	Northgate C$1	305	−5	—	—	—
202	164	R.T.Z.	196	+1	18.5	q3.1	6.6
46½	31	Sabina Inds. C$1	32	−½	—	—	—
950	750	Tara Exptn. $1	857	−25	—	—	—
45	43	Tehidy Minerals 10p	43	......	1.21	2.5	4.3
152	120	Yukon Cons. C$1	152	......	Q7c	ϕ	2.2

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- ♠ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ‡ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ♣ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

"Recent Issues" and "Rights" Page 40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	23	......
Ash Spinning	43	......
Bertam	15	......
Bdg'wtr. Est. 50p	279	......
Clover Croft	22	......
Craig & Rose £1	410	......
Dyson (R. A.) A.	41	......
Ellis & McHdy	65	......
Evans Fr'k. 10p	57	......
Evered	15½	......
Fife Forge	47	......
Finlay Pkg. 5p	20d	......
Graig Ship. £1	180	......
Higsons Brew	80	......
I.O.M. Stm. £1	147	......
Holt (Jos.) 25p	255	......
N'thn. Goldsmith	54	−2
Pearce (C. H.)	129	......
Peel Mills	17	......
Sheffield Brick	46	......
Sheff. Refrshmt.	51	......
Sindall (Wm.)	83	......

IRISH

Conv. 9% '80/82.	£95½	......
Alliance Gas	65	......
Arnott	290	......
Carroll (P.J.)	95	−2
Clondalkin	91xd	+½
Concrete Prods.	124	......
Heiton (Hldgs.)	44	−1
Ins. Corp.	200	......
Irish Ropes	132	......
Jacob	65	+5
Sunbeam	28xd	......
T.M.G.	180	+5
Unidare	82	+7

OPTIONS

3-month Call Rates

Industrials

A. Brew	6½
A.P. Cement	18
B.S.R.	9
Babcock	10
Barclays Bank	25
Beecham	38
Boots Drug	15
Bowaters	16
B.A.T.	24
British Oxygen	6
Brown (J.)	20
Burton 'A'	13
Cadburys	5
Courtaulds	10
Debenhams	10
Distillers	13
Dunlop	8½
Eagle Star	11
E.M.I.	18
Gen. Accident	17
Gen. Electric	18
Glaxo	40
Grand Met.	9
G.U.S. 'A'	18
Guardian	18
G.K.N.	22
Hawker Sidd.	20
House of Fraser	12
I C I	23
"Imps"	7
I.C.L.	20
Inveresk	7
KCA	5
Ladbroke	17
Legal & Gen.	14
Lex Service	7
Lloyds Bank	22
"Lofs"	5
London Brick	5
Lonrho	7
Lucas Inds.	25
Lyons (J.)	13
"Mams"	7
Mrks. & Spncr	11
Midland Bank	25
N.E.I.	20
Nat. West. Bank	22
Do. Warrants	10
P & O Dfd.	10
Plessey	9
R.H.M.	5
Rank Org. 'A'	18
Reed Intl.	14
Spillers	4
Tesco	4
Thorn	22
Trust Houses	15
Tube Invest.	30
Unilever	40
Utd. Drapery	7½
Vickers	15
Woolworths	6

Property

Brit. Land	3¾
Cap. Counties	5
E.P.	5
Intreuropean	4
Land Secs.	18
MEPC	12½
Peachey	10
Samuel Props.	12
Town & City	2

Oils

Brit. Petroleum	35
Burmah Oil	7
Charterhall	3½
Shell	28
Ultramar	22

Mines

Charter Cons.	12
Cons. Gold	20
Rio T. Zinc	16

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES
Wednesday April 5 1978

Japanese steel curbs approved by EEC

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT LUXEMBOURG, April 4.

EEC Foreign Ministers to-day approved an agreement in principle negotiated by the European Commission which will limit Japan's steel exports to the Community this year to slightly more more than 1.4m. tonnes. This is about the same as last year's level but 10 per cent. below deliveries in 1976.

In exchange, Japanese steel *exporters will be allowed to sell* their steel at slightly less than the prices charged by EEC manufacturers. The competitive margin will be 4 per cent. for special steels and 6 per cent. for other types of steel.

The arrangements apparently satisfy the British Government, which had earlier objected that they were not strict enough. It had sought to have the price margins adjusted to 3 per cent. for special steels and 5 per cent. for other products.

The Ministers also authorised the Commission to offer Spain a deal on terms broadly similar to those concluded with Japan and to propose the basis for an agreement with Czechoslovakia, with which negotiataions are more advanced than with any other East European country.

The bilateral agreements are designed to replace the autonomous system of "base" prices for steel imports from third countries which the EEC imposed at the beginning of this year.

The European Free Trade Area steel exporters have already concluded arangements and talks are also going on with Romania, Hungary, Poland, and South Africa, although so far there have been only fleeting contacts with the Soviet Union and East Germany.

EEC Foreign Ministers have decided against taking any immediate retaliatory measures against Japan, despite dissatisfaction with the trade concessions offered in last month's negotiations with the European Commission. But in response to what are considered inadequate tariff cuts offered by both Japan and the U.S., *the EEC is to toughen its* bargaining position at the forthcoming GATT talks by reducing provisionally the scope of its own offer.

The Commission said to-day that it intends to complete rapidly the anti-dumping investigations into Japanese steel imports which were started after the "base" price system took effect. In the great majority of cases, it was expected that provisional anti-dumping duties imposed by the EEC would be refunded.

The anti-dumping procedures will not be formally wound up, however, and may be reactivated if Japan fails to observe its pricing obligations under the bilateral agreement.

The commission believes that Japanese steel exports to the EEC last year slightly exceeded the levels set in its voluntary restraint arrangements and is keen to ensure that Japan honours its commitments in the future.

The spokesman said that the EEC offer to Spain was designed to take account of its pending application to join the Community and of the need to restructure its steel industry. For *that reason,* Spain was being offered terms as generous as those offered to Japan.

Negotiations with Czechoslovakia have been complicated by the fact that a much higher proportion of steel produced in Eastern Europe is sub-standard than in the West. The Czechs have asked the EEC to exempt their sub-standard steel exports from rigid price limits so that they can sell them for what they will fetch.

While the Commission is ready to entertain such a demand in principle, it has aroused objection from Italy, which fears that the Czechs will try to bend the rules by labelling normal-quality steel as sub-standard.

U.S. arms move may lead to Cyprus deal

BY METIN MUNIR ANKARA, April 4.

MR. BULENT ECEVIT, the Turkish Prime Minister, to-day hinted that it would be easier to achieve a settlement in Cyprus following President Carter's public commitment to ending a three-year-old Con*gressional arms embargo* against Turkey.

Mr. Ecevit said: "Turkey and Greece, and Greek Cypriots and Turks, have always co-existed in peace when they did not entertain the hope that other states will put pressure on Turkey.

"I believe that this will be the case in future."

The embargo was imposed by Congress seven months after the Turkish intervention in Cyprus in the summer of 1974.

It was hoped that the move would encourage Turkey into making concessions to the Greeks in Cyprus. This hope was not fulfilled. Ankara shut the U.S. bases in Turkey, numbering some two dozen, and *Turkish-American relations* were damaged.

President Carter's commitment appears to have cleared the air between the two Governments. Mr. Ecevit said the move "reinforces and supports my opinion that we are on the verge of a new and positive development in Turkish American relations."

Negotiations between the two countries on reopening the U.S. bases could take place as soon as a "positive result emerges from Congress," said the Turkish Prime Minister.

Our Foreign Staff writes: President Carter's statement has brought protests, however, from both Cyprus and Greece. In Nicosia, a protest was made by Mr. Nicos Rolandis, the Foreign Minister, to the U.S. Charge d'Affaires.

The protest expressed fears that the U.S. plan would make *Turkey* "more intransigent" on Cyprus, and could be interpreted as amounting to approval of Turkey's invasion of Cyprus and continued occupation of part of its territory.

Meanwhile police and troops put up barbed wire barriers early to-day to seal off all approaches to the U.S. embassy and the U.S. Cultural Centre in Nicosia, to prevent possible anti-American disturbances. There was a peaceful demonstration by a small group of *pupils, but no incidents.*

In Athens, Mr. Evangelos Averoff-Tossitas, the Greek Defence Minister, summoned U.S. ambassador, Mr. Robert McCloskey, and protested against the U.S. action. Informed sources said the protest told Washington that a resumption of arms supplies to Turkey would alter the balance of power between Athens and Ankara.

This, according to the Defence Minister, might tempt Turkey to seize Greek islands lying close to its Anatolian coast and thus lead to a military confrontation between Greece and Turkey.

David Bell adds from Washington: The Carter Administration still hopes that Congress will approve *its plan to* resume military aid to Turkey despite angry Greek reaction to the plan which was formally sent to Capitol Hill yesterday.

THE LEX COLUMN

Turn of the screw at Guest Keen

A 43 per cent. decline *during* the second half has taken Guest Keen's profits for 1977 down from £97.7m. to £72.3m. before tax, and there are few signs of any recovery so far in 1978. The steel side was under heavy *pressure throughout the period,* and in the latter months the automotive components business—which was well ahead in the first half of the year—also moved sharply lower. Second half profits from components *dropped from £29m. to £18m.,* mainly as a result of industrial unrest in the U.K. motor industry.

Profits from primary metal products have slumped from £23m. to £9m. for the year. Teeth*ing* problems have contributed to losses at the new 600,000 tonne rod mill in South Wales, and although the new electric arc plant has come in reasonably smoothly, these two investments taken together are not making profits. They cost about £55m. List prices for steel have shown some tendency to pick up recently, but Guest Keen says that this will not mean much until there is some decisive action in Brussels against dumping.

At the same time, export growth is getting harder to come by—a 39 per cent. gain in the first six months was followed by a rise of 13 per cent. in the second—and there are signs of some fall off in the Continental component operations after years of substantial growth. In Germany, Uni-Cardan's profits were slipping a little towards the end of 1977, and it is possible that automotive sales on the Continent will be marginally lower this year.

On the other hand the U.K. components side could do a good bit better given smoother production runs. The rod mill is working more efficiently, and the distribution companies are expecting some improvement in demand. The best guess may be that overall profits will be noticeably lower again during the first six months of 1978, but that the outlook could improve somewhat thereafter.

All this is broadly in line with the stock market's recent expectations. The dividend has gone *up by the full 25 per cent. fore*cast in last year's rights issue, and is twice covered after adding back excess depreciation. Yielding nearly 9 per cent. at 274p, the shares can afford to take a longer-term view.

Index rose 5.3 to 467.8

Airco

The saga of BOC International and its struggle for control of Airco is fast becoming a classic example of the legal and procedural morass that can swallow a foreign company venturing boldly into the U.S. After a tactical thrust that took its holding in Airco up to 54 per cent., BOC met a large new obstacle in the shape of Martin-Marietta, a U.S. aerospace company that has announced its readiness to offer $50 a share for Airco. New legal twists are now emerging almost hourly as BOC tries to parry this new challenge on the strength of a majority shareholding whose validity has itself *to be determined by an* American court decision.

Legalities aside, the counter offer presents new financial complexities to BOC's hard-pressed strategists. It puts a higher price on any thoughts BOC may have of going for 100 per cent. of Airco. It is a source of added dismay to those shareholders who accepted the (now disputed) $43 offer under which BOC raised its stake from 34 per cent. to 49 per cent. And it presents BOC with a quantifiable incentive to pull out of Airco altogether.

BOC's successive purchases of Airco stock have cost it $195m. over five years. If it were to *accept the Martin-Marietta offer* with its entire holding it would make a capital profit of $125m. But in the coming year its 54 per cent. stake in Airco will allow BOC to consolidate attributable earnings of some $22m. after related interest. BOC would be hard put to invest the proceeds of a total sale to give anything like such an after tax return.

Bank of Scotland

Compared with Clydesdale Bank's 30 per cent. increase in profits for calender 1977, a 3 per cent. increase in Bank of Scotland's profits for the year to end-February looks very unexciting. Admittedly, the different year-end makes a difference—in the previous year Bank of Scotland's profits grew twice as fast as Clydesdale's. But even after adjusting for the extra two *months* Bank of Scotland's profits would have been only 13 per cent. higher.

At £27.6m., pre-tax [...] are just £0.8m. up on la[...] As associated companies [...] were £0.3m. higher, Nor[...] Securities made another [...] and the merchant bank [...] £1.2m., it follows that [...] bank profits fell by £1.4[...] background to the figures [...] known. The average ba[...] fell by around a third [...] per cent., while the [...] between base and 7-day [...] rates narrowed by arou[...] a point. Current accou[...] ances grew by some 15 p[...] and commissions were in[...] but this was not enough [...] the erosion of overall [...] profits.

One reason for the dis[...]ing performance could [...] Bank of Scotland has be[...]ting greater emphas[...] expanding its foreign c[...] lending which was up by [...] cent. against a rise of le[...] a fifth for the Scottish [...] generally. Given the n[...] the international com[...] this probably carries low[...] gins than existing local b[...] Meanwhile a growth in [...] advances of less than [...] *suggests* that the bank [...] losing market share. [...] the shares yield 6 per [...]

Banking Statistics

The market was not [...] impressed by the first [...] banking sector statistics [...] March banking month, b[...] in eligible liabilities [...] £350m. is the lowest [...] increase seen since la[...] giving some modest resp[...] a long sequence of poor [...]ary figures. It looks [...] that a roughly similar ri[...] be seen in sterling M3 [...]ing the annualised grow[...] to just over 14 per cent. [...] eleven months to March [...] that a modest overshoo[...] the 13 per cent. top lim[...] year to April is built in[...]ket expectations, yet [...] figures seem likely to [...] good enough to take a[...] *sure off the money mar*[...]ing the remaining days [...] the Budget.

The gilt-edged mar[...]mains unsettled, howev[...] the F.T. Government Se[...] Index off fractionally ag[...]terday. That makes [...]clines in the past 11 [...] days, for a total fall o[...] cent., although the 30-Sh[...]dex has risen 2 per ce[...] the same period. The [...] fear for gilts is that one [...] economic growth will b[...] priority over monetary [...] But there is no sign yet [...] rise in bank lending on [...] that would set off warn[...]nals: lending by the [...] banks in March to th[...] private sector in March w[...] sluggish.

Unions accuse Government over electricity plans

BY ROY HODSON AND CHRISTIAN TYLER

THE GOVERNMENT was last night accused by union leaders of throwing away its chance of reorganising the electricity supply industry.

They said that Parliamentary support was lost because the Government's plans were too ambitious.

They were commenting on the White Paper published yesterday which contains most of the Bill that has had to be postponed mainly because of Liberal Party opposition.

The Paper's main provision was for a single statutory body to run the industry. This would replace the present system of the Electricity Council, the Central Electricity Generating Board, and the 12 area electricity boards. It proposes that the new *body be called the Electricity* Corporation.

The corporation would have the power to make and sell electrical plant or fitting and the by-products of electricity generation such as district heating. It would also be able to search for and extract uranium for nuclear power stations.

Mr. Frank Chapple, general secretary of the Electrical and Plumbing Trades Union, said that items never discussed with the unions had been included—like the proposal that the new authority should go into manufacturing.

The unions had fallen in with the Government's wish to modify the Plowden recommendations and increase Ministerial control, only to find now that that compromise had been "made irrelevant."

"It has all the appearance of being high-handed political trickery—I don't know by whom," Mr. Chapple said. It was alarming that the industry, the bedrock of so many others, should be left in a state of uncertainty.

Mr. John Lyons, of the Electrical Power Engineers' Association, claimed the Government was looking for "massive powers of Ministerial intervention," and it was no surprise that the Bill should have run into Parliamentary difficulties.

He said the proposal that the Energy Secretary should control appointments to area Boards, determine the degree of authority allocated to them, and net capital investment, would *give far greater Government con*trol than in coal or gas. "We don't think that Whitehall can run nationalised industries," he said.

Although the Bill cannot be passed this session, discussion of the propsed reforms will continue at Westminster.

The Select Committee on Nationalised Industries is to open an inquiry into the electricity supply industry later this month.

Mr. Anthony Wedgwood Benn, Energy Secretary. *said the in*vestigation would provide "a rare opportunity" for a Government Bill to be scrutinised in detail by MPs free from the political pressures associated with legislation.

Details, Page 8

Hongkong nears deal with Marine Midland

BY STEWART FLEMING NEW YORK, April 4.

TWO OF THE WORLD'S biggest commercial banks, Marine Midland of New York and the Hongkong and Shanghai Bank, are on the brink of announcing an agreement about the acquisition by Hongkong and Shanghai of a "significant equity position" in Marine Midland.

A Board meeting of Marine Midland has been called for later this afternoon to consider the proposal.

Marine Midland, which has assets of $12bn. and is the 13th largest U.S. commercial bank, said that a definitive state*ment is* expected within the next 24 hours. The bank added that the negotiations were "nearing a successful conclusion."

However, the bank refused to comment on specific details of the agreement that is expected, or on Press reports that Hongkong and Shanghai could be planning to buy new common shares in Marine Midland which might give it a 20-25 per cent. stake in the bank.

On the New York market Marine Midland's share price rose by $¼ to $14¼ this morning in anticipation of the announcement, but share analysts were expressing caution about the details of what might emerge.

It was pointed out that although Marine Midland's shares are trading at $14¼ this is well below the estimated book value of $35, a share, reflecting the company's poor earnings performance in the past two years.

A big block of new common stock at well below book value would not be seen to be in the best interests of existing Marine Mildand shareholders.

There is speculation that the deal could involve Marine Midland issuing convertible or preferred shares as well as, or as an alternative, to common stock to Hong Kong and Shanghai.

GKN in bid to overturn court decision on Sachs

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

GKN, BRITAIN'S largest engineering group, has appealed to the West German Economics Minister in an effort to overturn the recent decision of the country's Supreme Court to block its bid for the Sachs motor components group.

The bid, which would have raised GKN's present 25 per cent. stake in Sachs to 75 per cent., was opposed in a preliminary judgment of the Court on the grounds of th eoverall financial power of the combined group.

GKN is believed to be arguing in its defence that European motor component companies need to develop larger manufacturing units in order to cope with wider international competition.

It also suggests that, rather than looking at monopoly considerations within individual national markets, governments should be looking at the total European situation and encouraging cross-frontier competition.

These are both views which have attracted a great deal of support in the European motor industry in the last few years.

On the one hand, vehicle manufacturers would like to see some component producers wielding less power in their domestic markets and competing more effectively overseas—a classic case of this is in the clutch market, which Sachs dominates in Germany, and Automotive Products in the U.K.

On the other, it is argued that *only large component companies* will have the financial muscle to develop the new products which are now needed, and manufacture them in sufficient quantities to keep the European industry competitive against the U.S. and Japanese industries.

GKN results, Page 30

Chile set to borrow $350m. from bankers

By Mary Campbell and Hugh O'Shaughnessy

CHILE is negotiating three loans from international bankers totalling $350m.

The borrowing, while large by Chilean standards, reflects the comparative ease with which the Chilean junta has been able to find foreign exchange.

Of the three loans, the largest, $210m. for the Banco Central, is to be signed on Friday in London. A $90m. loan for the Corporación de Fomento de la Producción (Corfo—the industrial development corporation) has been underwritten and will be offered to banks soon.

Scheduled for May is a $50m. public offering by the Republic itself of floating rate notes via Dillon Read. This was postponed several months ago.

International bankers' response to Chilean credit has been *enthusiastic: the $210m.* loan started life a few weeks ago at $150m. and altogether banks outside the managing group have subscribed $135m.

The level of demand for this loan, for which Morgan Guaranty is lead manager, is partly attri*butable to the short maturity by* current standards—six years.

The 1¾ per cent. margin being paid over inter-bank rates, while lower than on previous Chilean loans, is considerably higher than is being offered by many borrowers.

However, bankers say that their response is also a tribute to the economic policies of the Chilean Government.

The terms of the Corfo loan include a maturity of seven years and a margin of 1¾ per cent. Chase Manhattan Ltd. is *lead manager.*

The loan agreement will be signed for Chile by Sr. Alvaro Bardon, president of the Central Bank. The Foreign and Commonwealth Office said: "This is a private visit and no contacts are envisaged for him with Ministers or officials."

Weather

U.K. TO-DAY

SUNNY spells in N. cold in S.

London, E., S.E., Cent. S., Cent. N., N.E. England, E. Anglia, Midlands, Borders, Edinburgh

Mostly cloudy, hill fog, drizzle. Brightening inland later. Wind, N.E., light. Rather cold. Max. 8C (46F).

Channel Islands, S.W., N.W. England, Wales

Mostly dry, rather cloudy, hill fog. Sunny spells, especially in W. Near normal. Max. 12C (54F).

Lakes, Isle of Man, S.W. Scotland, Glasgow, Cent. Highlands

Mostly dry. Sunny. Near normal. Max. 10C (50F).

Rest of Scotland, N. Ireland

Dry, sunny spells. Near normal. Max. 7C-9C (45F-48F).

Outlook: Little change.

BUSINESS CENTRES

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Amstdm.	C	7	45	Luxemb'g	C	10	50
Athens	C	16	61	Madrid	R	10	50
Bahrain	S	27	81	Manchstr.	S	10	50
Barcelona	S	15	59	Melbourne	S	15	59
Beirut	S	23	73	Milan	S	17	63
Belfast	F	8	46	Montreal	C	−2	28
Belgrade	C	11	52	Moscow	F	6	43
Berlin	C	9	48	Munich	C	9	48
Brmghm.	R	5	41	Newcastle	C	6	43
Bristol	C	6	43	New York	C	4	39
Brussels	C	7	45	Oslo	S	7	45
Budapest	C	16	61	Paris	C	11	52
B. Aires	S	25	76	Perth	C	22	72
Cairo	S	24	75	Prague	R	10	50
Cardiff	C	6	43	Reykjavik	R	9	48
Chicago	C	9	48	Rio de J'o	C	30	86
Cologne	C	8	46	Rome	F	19	66
Copnhagn.	S	9	48	Singapore	S	31	88
Dublin	C	7	45	Stockholm	S	6	43
Edinburgh	S	9	48	Strasbrg.	F	13	55
Frankfurt	R	11	52	Sydney	C	22	72
Geneva	S	12	54	Tehran	S	20	68
Glasgow	S	11	52	Tel Aviv	S	30	86
Helsinki	C	5	41	Tokyo	R	6	43
H. Kong	C	18	64	Toronto	C	−1	30
Jo'burg	S	23	72	Vienna	F	13	55
Lisbon	C	14	57	Warsaw	C	8	46
London	C	6	43	Zurich	C	10	50

HOLIDAY RESORTS

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Ajaccio	S	16	61	Jersey	R	7	45
Algiers	S	20	68	Las Plms.	C	19	66
Biarritz	F	14	57	Locarno	C	17	63
Blackpool	S	12	54	Majorca	S	17	63
Bordeaux	F	13	55	Malaga	C	17	63
Boulogne	R	6	43	Malta	C	16	61
Casablnca.	C	18	64	Nairobi	R	21	70
Cape Town	C	18	64	Naples	F	15	59
Corfu	R	13	55	Nice	F	16	61
Dubrovnik	F	15	59	Nicosia	C	19	66
Faro	F	17	63	Oporto	F	13	55
Florence	F	16	61	Rhodes	C	17	63
Funchal	C	16	61	Salzburg	C	11	52
Gibraltar	R	14	57	Tangier	C	13	55
Guernsey	C	7	45	Tenerife	C	13	55
Innsbruck	F	14	57	Tunis	F	18	64
Inverness	S	7	45	Valencia	F	20	68
Isle of Man	S	9	48	Venice	S	17	63
Istanbul	R	13	55				

F—Fair, S—Sunny, C—Cloudy, R—Rain

Engineers win pay concession

BY CHRISTIAN TYLER, LABOUR EDITOR

CABINET Ministers have allowed what appears to be the first "official" breach of the Government's pay guidelines since they were laid down last July.

Companies employing thousands of lower-paid engineering workers will be allowed both to ignore the rule that settlements must be 12 months apart, and in *some cases to pay more* than 10 per cent. without the threat of sanctions.

The concession was announced in a letter yesterday to the Engineering Employers' Federation and the Confederation of Shipbuilding and Engineering *Unions by Mr. Albert Booth, the* Employment Secretary. As a result, a new national agreement covering 1¼m. workers, but followed by another 1m., could be signed within days.

Because the number of workers involved in the exemp*tion is small in relation to the* total, and because the main impact of the national agreement is on premium payments (it sets minimum rates only), the Government is satisfied that the exemption will not raise the industry's wage bill much, if at all, over 10 per cent.

Some workers could, however, receive two rises over the next six months on top of the increase they have already collected under Stage Three of the Government policy.

The national agreement will raise minimum rates in two stages to £57 a week for skilled men and £43 for unskilled imme*diately, and to £60 and £45* respectively from the autumn.

Mr. Booth has said that low paid workers who have already had a Stage Three rise at plant level may move to the first stage immediately and the second in six months' time. Those who have yet *to settle in this round* at local level may exceed the 10 per cent. in order to reach the new minimum rates.

The unions have already accepted that the bulk of workers will have to wait for their normal plant wage anniversary dates before benefiting from the spin-off of the higher minima.

Few, *if any, other examples* of Government flexibility have emerged in an incomes policy that the Chancellor has admitted has been enforced with much greater rigour than was originally intended.

Continued from Page 1

Reserves fall $381m.

nivance in the fall of the pound.

The support in the past few days has been more notable for its visibility than its size, at least compared with previous periods of intervention.

The action is seen as a steadying operation and there are hopes that some of the pressure last week may have been of a reversible kind, since it represented shifts in the pa ttern of commercial payments.

There have, however, been warnings from several monetarist economists that sterling could decline further unless the growth of the money supply is brought under tighter control.

If the recent intervention continues, there is likely to be a further decline in the underlying level of the reserves in April, when the gross total will anyway be affected by sizeable official debt repayment.

Overseas borrowings totalling $355m. (by the Post Office, Glasgow Corporation and British Gas) are due to be repaid this month.

In addition, it is possible that the already announced repayment of the $850m. first credit tranche from the International Monetary Fund will take place this month, though there is no official confirmation.

The only additional move due in later months so far announced involves a further $150m. due to the Fund,

Minister outlines road plans

By Ian Hargreaves, Transport Correspondent

THE GOVERNMENT yesterday sought in two White Papers to appease opponents of its hand*ling of inquiries into trunk road* schemes and to present a scaled-down but stable road construction programme in England for the next decade.

Mr. William Rodgers, Transport Secretary, said that taken together, the policy initiatives would usher in a new realm of open government in road planning and offer the road construction industry a period of unaccustomed stability.

The White Paper on roads, which is to be an annual event, discloses that a review of the 400 trunk road schemes, valued at over £2.5bn., in the Transport Department's preparation pool has so far resulted in 34 schemes being either dropped or scaled down at a saving of £70m.

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